

raised. The result is a balanced piece of legislation that includes important safeguards against fraud and abuse of the system, but does not stifle the growth of legitimate providers.

The Home Health Integrity Preservation Act of 1998 would do the following: It would modify the surety bond requirement in the BBA so that only new agencies need to obtain surety bonds. Because HCFA's surety bond rule goes far beyond Congress's intention to keep bad providers from entering Medicare, many existing agencies with no history of fraud have been unable to obtain bonds. This provision would force HCFA to return to Congress's original intention. It also reduces the amount of the bond needed to \$25,000.

It would heighten scrutiny of new home health agencies before they enter the Medicare program, and during their early years of Medicare participation.

It would improve standards and screening for home health agencies, administrators and employees.

It would require audits of home health agencies whose claims exhibit unusual features that may indicate problems, and improve HCFA's ability to identify such features.

It would require agencies to adopt and implement fraud and abuse compliance programs.

It would increase scrutiny of branch offices, business entities related to home health agencies, and changes in operations.

It would make more information on particular home health agencies available to beneficiaries.

It would create an interagency Home Health Integrity Task Force, led by the Office of the Inspector General of Health and Human Services.

It would reform bankruptcy rules to make it harder for all Medicare providers, not just home health agencies, to avoid penalties and repayment obligations by declaring bankruptcy.

This legislation is an important step in ensuring that seniors maintain access to high quality home care services rendered by reputable providers. I urge my colleagues to join me in this effort by cosponsoring this important legislation.

#### FINDING THE FUDGE FACTOR

Mr. GRASSLEY. Mr. President, based on recent remarks by the President, I don't know whether to laugh or cry. If the story as reported is true, it is an unfortunate commentary. In a recent meeting with religious leaders, Mr. Clinton asked them to withdraw their support for a legislative effort to hold countries to account that engage in religious persecution. Mr. Clinton, it seems, does not like legislation that imposes sanctions. Well, that's not precisely right. What he does not like is sanctions that he didn't think of. When he wants sanctions on Iraq, for example, he is all for sanctions. But when it comes to other issues he cares less about, well, suddenly he finds them unwelcome.

What are some of these? Well, he doesn't like mandatory sanctions for violations of human rights. He objects to sanctions to stop the spread of nuclear weapons. He is not partial to sanctions on countries that persecute people for their religious beliefs. And he finds the idea of sanctions on countries that do not do enough to stop the traffic of illegal drugs to the United States burdensome. In a flight of candor with the religious leaders, he allows as how it is difficult to be honest in assessing another country's behavior if sanctions might be involved. "What always happens," he says, "if you have automatic sanctions legislation is it puts pressure on whoever is in the executive branch to fudge an evaluation of the facts of what is going on."

That is refreshingly frank. It is also disturbing. When I look up "fudge" in the dictionary, this is what it tells me the word means: to fake; to falsify; to exceed the proper bounds or limits of something; to fail to perform as expected; to avoid commitment.

If I am to believe these remarks, what the President is saying is that his Administration finds it necessary to falsify the facts; to avoid commitment; to fake information. His Administration finds it difficult to be honest when it comes to telling the Congress and the public what other countries are doing on critical issues. I guess the question we need to ask now is, what is the fudge factor in the various reports this Administration has submitted on these issues? We need to know this for past reports. And we need to know what this factor is in order to properly evaluate future assessments.

The reason we need to know this is for what the President's comments suggest. If we believe this report, the President is telling us that his Administration finds it necessary to be less than candid when it comes to enforcing the law. Now, I know that many Administrations do not like the idea that Congress also has foreign policy responsibilities. Many Administrations have fought against sanctions for this or that issue they did not think of.

They have also fought for sanctions when it was their idea. What is of concern here is the admission that this Administration fights shy of telling the truth in situations where it does not approve of the sanctions. It fudges the facts, presumably, even though the President has the discretion, in law, to waive any sanctions for national security reasons. This then is a candid admission that it enforces the laws it likes and fudges those it does not. I find this disturbing.

Perhaps the Administration could explain just why it needs to fudge the facts on drug certification, for example. What drug certification requires is that the President assess what other countries are doing to help stop the production and traffic of illegal drugs. This means assessing what they are doing to comply with international law. To make a judgment about what

they are doing to live up to bilateral agreements with the United States.

And to account for what these countries are doing to comply with their own laws. The certification law gives the President considerable flexibility in determining whether these activities meet some minimally acceptable standards. He is not required to impose sanctions unless he determines, based on the facts, that a country is not living up to reasonable standards. And he can waive any sanctions. This gives the Administration a great deal of latitude. I have defended this flexibility. I have argued that just because the Congress and the Administration disagree, honestly, over an assessment, it does not mean that the facts are not honest. Or that the judgment is dishonest. But these recent remarks open up another concern. If the facts are fudged, however, just how are we to determine what to make of the judgment that follows?

And what is the occasion for employing the fudge factor? What is it being avoided or dodged? What the certification law and many of these others that require sanctions ask for is not terribly complicated or outlandish. They express the expectation of the Congress and of the American public that countries live up to certain responsibilities. And more, that failure to do so involves consequences. This is, after all, the expectation of law and of behavior in a community of civilized nations. The want of such standards or the lack of consequences reduces the chances for serious compliance with international law or the rules of common decency. Are we really to believe that respect for these standards and consequences are to be discarded because their application is inconvenient? Because they reduce some notion of flexibility? That we only have to enforce or observe the laws we like? What a principle.

I for one do not intend to live by such a notion. I will also from now on be far more interested in knowing just what the fudge factor is in assessments from the Administration. I hope my colleagues will also be more demanding.

#### INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998

The Senate continued with the consideration of the bill.

Mr. MURKOWSKI addressed the Chair.

The PRESIDING OFFICER. The Senator from Alaska is recognized.

Mr. MURKOWSKI. Mr. President, as a member of the Senate Finance Committee, I rise in strong support of this legislation which is going to overhaul the agency that is probably more feared by Americans than any other single agency—the IRS.

Mr. President, at the Finance Committee hearings that began last September and ended last week, the American public heard some chilling testimony—testimony of an agency that is

simply out of control and an agency that is unaccountable. Some say it was designed that way. Well, in a democracy, there is no place for the type of Gestapo tactics that we have seen. We have seen in the hearings and in the testimony that harassment, retribution, and abuse apparently have been condoned in some areas of the IRS for some time.

Mr. President, when the GAO attempted to audit the IRS last year, it found that the systems the IRS had put in place were designed to ensure that there is no way—no way—for IRS personnel to be held accountable for their erroneous actions. There is no way to determine how many times the Internal Revenue Service has made a mistake in sending out a collection notice, and there is no way to determine how many complaints have been received. In effect, the managers at the IRS set up the system so that no one can trace improper behavior. There are no paper trails, there are no records.

Mr. President, there is simply no accountability. The lack of accountability and the arrogance among some that pervades the IRS was best summed up last week when Tommy Henderson, a special agent and former group manager of the IRS's Criminal Investigation Division office in Knoxville, testified. He told the committee:

IRS management does what it wants, to whom it wants, when it wants, how it wants, and with almost complete immunity. Each district director and chief appears to operate from his own little kingdom.

Well, there are no kingdoms in this country, Mr. President. Anyone at the Internal Revenue Service who thinks he or she is above the law ought to be summarily fired. No one enjoys paying taxes, but no one in this country should fear the agency that is charged with the collection of taxes. Yet, we have learned that frightening taxpayers is certainly a tactic that is often used by the Internal Revenue Service.

Last week, Robert Edwin Davis, a former Deputy Assistant Attorney General in the Tax Division at the Justice Department, told the committee that IRS criminal agents use violent and sometimes fearful tactics against nonviolent taxpayers. He told the committee of a raid by 10 armed IRS agents on the home of a woman at 7:30 in the morning. The 10 armed agents came into her house and searched throughout the house. What were they looking for? Illegal drugs? Firearms? Unreported cash? No. Well, then, why were 10 armed agents searching her home? They were trying to appraise the value of the furnishings in the house because the Internal Revenue Service believed the executor of the woman's deceased grandmother's estate had undervalued the furnishings for estate tax purposes. Can you believe that, Mr. President?

The person who ordered that armed raid should have been fired. This is America, not Nazi Germany.

Mr. President, several current IRS employees had the courage to come

forward during the hearings held in the Finance Committee. I want to commend Senator ROTH for calling those hearings. As a member of that committee, I was deeply moved by the testimony of the witnesses that he and the staff had generated.

Again, several current IRS employees did have the courage to come forward. They described situations where revenue officers, with management approval, used enforcement to "punish" taxpayers instead of trying to collect the appropriate amount of money for the Government. One told the committee that IRS officials browse tax data on potential witnesses in Government tax cases and on the jurors sitting on those Government tax cases.

We learned last week that one rogue agent, trying to make a reputation for himself, tried to frame a former Republican leader of this body, Senator Howard Baker—at that time, he was a sitting Senator from Tennessee and the majority leader—and when a responsible IRS manager tried to stop the agent, the agency retaliated, not against the agent, but against the manager.

Those are the types of actual situations the committee focused on.

Mr. President, lest I be overcritical, I am well aware of the dedicated people in the Internal Revenue Service who are doing an appropriate job in carrying out the duties that they must perform in service to the IRS as well as the country.

Mr. President, Commissioner Rosotti has a tough job. If he is going to change the culture of the IRS, he is going to have to have some new tools and support by the Congress. This bill will give him some of those tools that he needs to get that job done. For example, the bill gives him the authority to fire an IRS employee if he fails to obtain required approval for seizing a taxpayer's home or business asset. Further, an IRS agent will be fired for providing a false statement or destroying documents to conceal mistakes.

The bill creates an independent board to review and recommend changes to enforcement and collection activities of the IRS. I believe the committee made a mistake in placing the Treasury Secretary and the IRS employee representative on this board, and I am disappointed that the Senate did not remove those two individuals from that board. This should be a board that is made up of people who can act with real independence on behalf of honest taxpayers. It should not represent the interests of the Government or the employees of this agency.

We have set up a truly independent Taxpayer Advocate to resolve taxpayer disputes with the IRS. This is a much-needed change, since we learned last year that the current Taxpayer Advocate, in reality, faces a conflict of interest because the people who rotate through this office are often called upon to make judgments on the people in the agency who can promote the in-

dividual after he rotates out of the advocate's office.

Now, in the area of computer-generated property seizures, like we had in my State of Alaska, some 800 permanent fund dividend seizure notices that were issued last September should never, ever happen again, because IRS employees are going to have to have signed approvals before attempting to seize property.

And for the first time, a taxpayer will be able to appeal seizures all the way into Tax Court.

We've made sure that IRS won't be able to harass the divorced woman for her ex-husband's cheating. I want to express my concern that it appears the Administration does not support the proportional liability provision we've included for innocent spouses.

Last week, Assistant Secretary for Tax Policy, Donald Lubick was quoted as saying the Administration cannot support our plan to provide innocent spouse relief. When I read the story about this comment, I asked my staff to obtain a copy of Mr. Lubick's speech but was informed there was no text for the speech. It is my hope that Mr. Lubick was not speaking for the Administration, since according to one study, there are 35,000 innocent women who must contend with attempts by IRS to collect on debts that they are not responsible for.

In addition, we've added a rule suspending interest and penalties when the IRS does not provide appropriate notice to taxpayers within one year of filing. This ensures that delays by IRS, which can sometimes go on for years, will not benefit IRS by stacking penalties and interest on taxpayers who may have unwittingly made a mistake on their returns.

Finally, we've changed the burden of proof in cases coming before the Tax Court. This is a long overdue change. When American citizens go into a court, they should be presumed innocent, not guilty until they can prove their innocence. That principle is enshrined in our Constitution and must apply in tax cases as well as any other cases.

Mr. President, as I said earlier, the culture at the IRS must change. This bill makes very important changes that should give the American public more confidence that if they make a mistake on their tax returns, they will be treated fairly by their government and not subjected to threats and harassment.

But this bill is just a first step. As I have indicated, there are certain portions with which I am not satisfied. I think it is incumbent on the Finance Committee to hold the agency accountable for implementing what is in this bill. More oversight is needed because it is only through oversight that we can hold this agency accountable to the American public.

Mr. President, I thank the Chair. I yield the floor.

Seeing no other Senator, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERREY. Mr. President, I ask unanimous consent to be able to speak as if in morning business to introduce legislation.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERREY. I thank the Chair.

(The remarks of Mr. KERREY and Mr. KENNEDY pertaining to the introduction of S. 2049 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. NICKLES. Mr. President, I wish to thank the Chairman of the Senate Finance Committee and his staff for working closely with Senator BAUCUS, Senator HUTCHISON, and me on language in this bill to protect the trade secrets and confidential information of software publishers and their customers. The Senate IRS bill is far stronger than the House bill on these issues, and we appreciate the Chairman's efforts. To ensure fair and adequate implementation of this legislation, I would like to clarify our intent with regard to some of its provisions.

First, this bill confirms that, in an IRS summons enforcement proceeding involving software, courts have the authority to issue "any order necessary to prevent the disclosure of trade secrets and other confidential information" with respect to software. I believe this authority is inherent in the existing powers of the judiciary in summons enforcement proceedings, and that our legislation simply reaffirms this authority with respect to the proceedings involving software. Mr. President, this clarification would make clear that the court can also issue orders to protect confidential taxpayer information associated with the software.

Secondly, the legislation currently provides that "the Secretary will make a good faith and significant effort to ascertain the correctness of an item" prior to issuance of a summons for software source code. It is my belief that a good faith and significant effort requires that the IRS conduct a thorough review of the taxpayer's books, records, and other data, including the issuance of Information Document Requests and following-up those requests appropriately. This clarification would make certain that source code should be summoned as a last resort only.

Mr. ROTH. Mr. President, I appreciate and concur with the comments of the Senator from Oklahoma.

Mr. BAUCUS. Mr. President, I too thank the Chairman for his work on these issues. I am concerned that the Senate bill contains a provision, Section 7612(b)(3) that makes it easier for the IRS to gain access to software

source code in the event that a taxpayer refuses to provide his own financial data to the IRS. Since the software publisher can neither provide this data themselves, nor compel a taxpayer to provide it, I believe this provision is unnecessary. The bill should not punish a third-party software company when the IRS fails to use those tools against an uncooperative taxpayer. I hope the Chairman will reconsider this issue in conference.

Mrs. HUTCHISON. Mr. President, I agree with my colleagues that the Senate Finance Chairman has produced an excellent bill which will help protect software companies and their customers from intrusive IRS audits.

I would ask the Chairman to consider the issue of whether or not to extend the same requirements for non-disclosure and non-complete agreements to IRS employees as this bill requires of outside consultants.

Mr. ROTH. I thank the Senator from Montana and the Senator from Texas for their comments, and I will certainly look at these issues as this legislation moves to conference with the House.

Mr. REED. Mr. President, I rise in support of H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1998. This bill is the product of an extensive examination of the IRS that began with the June 1997 release of a report by the National Commission on Restructuring the Internal Revenue Service, and ended with recent Finance Committee hearings on taxpayer abuse by the Internal Revenue Service (IRS).

I am pleased that H.R. 2676 incorporates a number of key recommendations from the National Commission's report, such as IRS restructuring and the establishment of an Oversight Board. I believe restructuring the IRS will enable the agency to meet the particular needs of taxpayers such as individuals, small businesses, large businesses, and tax-exempt organizations, and be more responsive to each group's particular concerns.

In addition to incorporating recommendations from the Commission report, the bill includes provisions to address taxpayer abuse and mismanagement practices by IRS that came to light during the Finance Committee's hearings. I was, along with most other Americans, very disturbed by the anecdotes of taxpayer abuse that were presented at the hearings. To the extent that H.R. 2676 will address these problems, I am very pleased to support the bill.

Notwithstanding my strong support for many of this bill's provisions, I do have concerns about its projected cost of \$19.3 billion over 10 years. Mr. President, this is triple the cost of the House-passed version of H.R. 2676. Although the bill includes offsets which purport to make the bill revenue-neutral, these offsets are a ticking time bomb that will explode beyond the 10 year budget window. For example, a provision modifying IRA rollover rules

will raise \$8 billion between 2003 and 2007. However, this provision will cost the Treasury a yet-to-be determined amount of revenue after 2007. I find it difficult to vote on a proposal that we know will be costly in the long-term, without having a definitive sense of its budgetary impact.

When coupling the rollover provision with provisions included in the Taxpayer Relief Act that are phased-in through 2007, such as capital gains tax cuts, "back loaded" IRAs, and estate tax cuts, it becomes clear that there will be significant pressures on the federal budget after 2007. I believe that these provisions could seriously compromise maintenance of a balanced budget. In addition, these provisions could greatly complicate our efforts to address the long-term solvency issues associated with the Social Security and Medicare Trust Funds.

Finally, Mr. President, I have concerns that the bill could compromise the ability of the IRS to carry out its core mission—enforcement of the Internal Revenue Code. For example, the enhanced appeal provisions in the bill may unintentionally make it easier for noncompliant taxpayers to avoid paying the appropriate taxes. Similarly, I am concerned that shifting the burden of proof in certain circumstances will undermine enforcement efforts and have the unintended consequence of making audits more intrusive.

Mr. President, while I am supportive of H.R. 2676, I am hopeful that we can work in Conference to address the concerns that I have raised, which are shared by the Administration. Ultimately, I believe it is possible to pass a strong IRS restructuring bill that can address taxpayer concerns, without busting the budget or undermining the mission of the IRS.

Mrs. BOXER. Mr. President, I support the IRS Restructuring and Reform Act of 1998. This bill, when fully implemented, will achieve 3 important objectives:

First, it will greatly benefit the American taxpayer who, all too often, has been the victim of overzealous and rogue IRS agents, has been caught, through no fault of his own, in a nearly impenetrable bureaucratic morass, or has received poor and discourteous service from IRS employees.

Second, the bill will significantly reorganize IRS management and provide the IRS Commissioner with new authority over IRS employees.

Third, the bill establishes an IRS Oversight Board, comprised of private citizens, the Secretary of the Treasury and a union representative, which will oversee the IRS in administration, management, conduct, and direction. I believe, however, those provisions which most directly benefit the American taxpayer are the real crux of this bill.

We need effective reforms which restore public confidence in an agency which touches the lives of more people in this country than any other agency.

I believe the establishment of a "National Taxpayer Advocate" will provide a significant step toward restoring such confidence.

The National Taxpayer Advocate, who will have a background in customer service and tax law, as well as have experience representing individual taxpayers, will be one of the most important and critical links between taxpayers and the IRS. Significantly, the National Taxpayer Advocate will not be an IRS employee and cannot have been an IRS employee within two years of his or her appointment. This two year limitation will help ensure the independence that taxpayers who avail themselves of the Advocate's Office expect and deserve.

As I travel through my home state of California, the most frequent complaints I hear from Californians regarding the IRS are: (1) the difficulty they have receiving assistance resolving problems with the IRS, and (2) the difficulty they have receiving guidance from the IRS relative to their specific tax question or concern. I believe the establishment of a National Taxpayer Advocate, as well as the creation of a system of local taxpayer advocates, will greatly enhance the ability of taxpayers, in my home state and around the country, to receive the assistance and guidance they seek.

Innocent Spouse relief is another provision of the bill that will directly benefit taxpayers. An "innocent spouse" is one—usually a wife—who signs a joint tax return not knowing that the information contained therein, provided by the other spouse, is erroneous. While relief from liability for tax, interest and penalties is currently available for innocent spouses, that relief is only available in certain limited and narrow circumstances.

The bill before us, however, would directly impact taxpayers by modifying current law to permit a spouse to elect to limit his or her liability for unpaid taxes on a joint return to the spouse's separate liability amount. I believe this change will greatly enhance the ability of an innocent spouse to establish his or her innocence.

The final "taxpayer friendly" provision of the bill I will mention is the creation of low-income taxpayer clinics. This provision will ensure that low-income taxpayers, and taxpayers for whom English is a second language, receive tax services at a nominal fee. Such clinics are essential if low-income taxpayers, and taxpayers who have minimal English proficiency are to be represented in controversies with the IRS.

This provision is particularly important in my home state. According to the 1990 Census, California is home to approximately 2.7 million individuals who speak little or no English. Thus, about 35 percent of all individuals in the U.S. who are non-English speaking reside in California—almost twice the percentage of those non-English speaking persons that reside in Texas and al-

most three times the number that reside in New York. In addition, California is home to more immigrants—2 million—than any state in the country. It is important, therefore, that we provide these taxpayers with the help they need to be tax compliant.

Mr. President, taxpayers that come into contact with the IRS, whether they are merely asking questions or whether they are attempting to resolve a disputed claim, should be treated in a fair, respectful and courteous manner. Unfortunately however, we have heard all too often over the past months, of many instances in which IRS employees treated taxpayers rudely, abruptly, and yes, at times so abusively that the offending employee's action could only be called criminal.

While such actions cannot and should not be imputed to all IRS employees, the overwhelming majority of whom are honest and hardworking, it is important to weed out any employee, even if it is only one, who engages in abusive behavior toward law abiding taxpayers. Taxpayers deserve better.

In closing, Mr. President, I am very pleased to support this bill today and I hope that it is only the beginning of Congress' commitment to making the IRS more user friendly, improving the management of the IRS and streamlining an overly complex tax code.

Mr. KEMPTHORNE. Mr. President, no longer is there any doubt that Congress must audit the Internal Revenue Service.

The hearings that have recently been held in the Senate Finance Committee have brought out under the glare of public scrutiny what many taxpayers already know from personal experience: the IRS needs reform. We have been made aware of incidents of flagrant, unbridled abuse of government authority which until now were known only to the victims of an agency that has expanded far beyond its intended size and scope and is clearly guilty of violating the public's trust.

While these problems have been successfully highlighted by the Finance Committee, I would like to take just a moment to reiterate some of the more glaring examples of IRS abuse:

Former Senate Majority Leader Howard Baker was victimized by an IRS agent in Tennessee who, in an attempt to advance his own bureaucratic career, tried to frame Baker of money-laundering and bribery charges. After the agent was exposed, IRS authorities, rather than engaging in a reform effort to root out similar abuses in the future, tried to cover up for the rogue official.

IRS agents, armed with automatic weapons and attack dogs, raided John Colaprete's business after a former bookkeeper, who had embezzled \$40,000, leveled bizarre and unsubstantiated allegations. Again, the charges were completely unfounded and none were filed.

Robert Gardner was subjected to a 33 month investigation that involved the

IRS engaging in activities including the seizure of his office property, feeding lies to a grand jury, and attempts to compel Mr. Gardner's clients to wear hidden microphones.

I know from personal experience the problems the IRS can pose for hard-working Americans. For an agency that the American people give a significant portion of their money over to, customer service is not a top priority. In February of 1996, for example, Mr. and Mrs. Robert Wiester of Orofino lost their home and outbuildings when Big Canyon Creek flooded. On their federal income tax return, they justly claimed a casualty loss, although their tax preparer put the loss on the wrong line of their 1040 form. The IRS then refigured their return and, instead of the \$1,206 refund the Wiesters were due, the IRS claimed that they owed the government \$15,885 in tax, interest, and penalties. Within five months, the IRS contacted Mr. and Mrs. Wiester saying that a levy was going to be placed on their property. After numerous fruitless calls to the IRS, the Wiesters contacted my office, and after I wrote the IRS six times, the Wiesters' problem was finally rectified, nearly ten months after the simple error on the 1040 form was made.

This type of behavior is no longer acceptable. The Senate will shortly pass the IRS Restructuring and Reform Act, which will fundamentally overhaul the agency and make comprehensive, meaningful steps toward reform. The bill: creates an IRS oversight board to oversee every aspect of IRS operations; holds IRS employees accountable for their actions by requiring the agency to terminate employees who violate rules; suspends interest and penalty payments when the IRS does not provide appropriate notice to taxpayers; shifts the burden of proof from the taxpayer to the IRS in legal proceedings; makes it illegal for Executive Branch officials, such as the President, to audit people; creates new performance standards for IRS employees so that they are no longer ranked on collection goals; expands awards for attorney's fees and civil damages to taxpayers; expands attorney-client privilege to accountants; and requires a greater notification process for the IRS to place liens, levies, or seizures on taxpayers's property.

I believe that this legislation is a meaningful step to reform the tax culture in Washington. Once the new majority took control of Congress in 1994, a three-step process has been implemented to fundamentally change the Washington tax culture: (1) Reduce the collection, (2) reform the collector, and (3) replace the complexity. I am proud to say that this Congress has passed the largest tax cut in American history as part of the first balanced budget in a generation. I have supported all of these measures, and will look forward to supporting legislation that will substantially "reform the collector" and provide the American people with a fair, just, and responsive IRS.

Mr. ABRAHAM. Mr. President, I rise today in strong support of reforms to our Internal Revenue Service.

As I'm sure my colleagues are aware, recent Senate Finance Committee Hearings have brought to our attention the harrowing stories of American citizens victimized by over-zealous IRS agents.

These agents, often on the flimsiest of evidence, have bent and sometimes broken rules intended to protect citizens from abuse—rules that clearly must be strengthened and more effectively enforced in order to protect Americans' freedom and peace of mind.

In my view, Mr. President, the most harrowing stories related during Finance Committee hearings are made all the more troublesome because of clear evidence that they are horrible examples of widespread practices.

As one agent testified last fall, "Abuses by the IRS \* \* \* are indicative of a pervasive disregard of law and regulations designed to achieve production goals for either management or the individual agent."

The use of quotas and statistics used as performance standards for advancement within the IRS pit agents against taxpayers at great risk to individual liberties and good order.

It is time to put an end to the adversarial relationship between the IRS and the taxpayer. And there is only one way to properly accomplish that task: by reforming and restructuring the IRS to make it more service oriented and to ensure that it no longer disregards the fundamental rights of American citizens.

I would like today to give special attention to one situation I believe has caused a great deal of undue hardship to many Americans: I mean IRS regulations holding innocent people responsible for the tax liabilities of their ex-spouses.

In this regard, Mr. President, I would like to relate one all-too-telling anecdote: Elizabeth Cockrell came to this country from Canada over 10 years ago, when she married an American. Unfortunately, her marriage, to a stockbroker, lasted only 3 years. Since the marriage broke up, she has concentrated on raising her child while holding down a job and strengthening her roots in the community.

Imagine Ms. Cockrell's surprise when, 9 years after she and her husband had been divorced, the Internal Revenue Service informed her that she owned it \$500,000.

It seems Ms. Cockrell's ex-husband had taken some deductions for tax shelters that the IRS had disallowed. This made him initially liable for \$100,000. But time had passed and the IRS had been unable to collect from him. So Ms. Cockrell, who had nothing to do with her husband's business and did not help figure out the taxes, was now being hounded for \$500,000. Why? Because she signed a joint tax return.

And it turns out that even \$500,000 is not enough for the IRS. With new in-

terest and penalties, the IRS now wants \$650,000.

Ms. Cockrell has fought and tried to settle, all to no avail. But she is not alone.

Take for example the case of Karen Andreasen. Ironically, Ms. Andreasen was married to a former IRS employee.

Imagine her surprise, after their divorce, when she found out that her ex-husband, who had handled all of their financial affairs, had been forging her signature on joint returns.

Imagine her shock and dismay when, even though she had no income for the years in question, the IRS came after her for her husband's tax liability. Ms. Andreasen has now been paying off the debt for years, and still has a tax lien on her house.

Mr. President, cases like these are all too common. The General Accounting Office estimates that every year 50,000 spouses, 90 percent of them women, are held liable in the same way as Ms. Cockrell and Ms. Andreasen.

These women, most of them working moms struggling to make ends meet, for the most part had nothing to do with the income or accounting over which the IRS is pursuing them. And, as of now, they have no legal recourse.

The Supreme Court just recently dismissed Ms. Cockrell's legal appeal, in which she claimed that innocent spouses should not be held liable for income they did not earn.

We cannot let this decision stand. That is why I support a provision in this legislation that would say clearly a person can only be held liable for the income that he or she has earned and failed to properly report.

Under this provision, every American would remain liable for his or her own taxes. No tax cheats would be let off the hook. But innocent parties, men and especially women who had no part in filing any false claims with the IRS beyond signing their name to a joint return, would no longer be held liable.

No longer would ex-wives be made to pay for the mistakes and/or misdeeds of their ex-husbands.

No longer would the IRS be allowed to victimize innocent people merely on account of a former marriage.

There are hundreds of thousands of women out there just like Elizabeth Cockrell and Karen Andreasen. They deserve our support and protection against an over-reaching IRS.

This is a crucial provision, in my view Mr. President. But it is only one of a number of provisions that must be taken to stop the IRS from pushing its agents to pursue cases to the detriment of American's fundamental rights.

It is my hope that all of my colleagues will see the necessity of protecting the people from federal employees who are hired to provide a needed service to the public, but who have been given no license to intimidate or violate their rights.

This legislation is an important step in our attempt to bring the IRS under control. However, I think it is crucial

to note that we will not be able to put an end to our problems with the IRS unless we reform and simplify the tax code.

Only by making the code simpler, flatter and more fair can we reduce the role of the IRS in the taxpaying process. We must keep in mind, in my view, that many of our current problems are the predictable results of decades of bad tax policy, and that it is up to us to reverse these policies as soon as possible.

Mr. President, a recent USA Today poll found that 69 percent of Americans believe the IRS "frequently abuses its powers." Fully 95 percent believe the tax code isn't working and must be changed. And who can blame them? The current tax code is 5.5 million words long, it includes 480 tax forms, and 280 publications explaining those forms.

By instituting fundamental tax reform, establishing one low marginal rate with fewer loopholes, by designing a tax form the size of a postcard, we can eliminate the huge IRS bureaucracy and many of the headaches people experience in filing their taxes every year.

Once we take the necessary steps toward IRS reform included in this bill, Mr. President, I urge my colleagues to move on to fundamental reform of our tax code in the name of fairness, of efficiency, and of the rights of the people of the United States.

Mr. HATCH. Mr. President, today we will cast one the most important votes of the 105th Congress. We will vote on reforming the Internal Revenue Service.

Of all the powers bestowed upon a government, the power of taxation is the one most open to abuse. As the agency responsible for implementing and enforcing the tax laws that we here in Congress pass, no other agency touches the lives of American citizens more completely than the IRS.

I believe that Americans understand and appreciate that they have to pay taxes. Without their tax dollars, there would be no defense; no Social Security, Medicare, or Medicaid; no environmental protections; no assistance for education or job training; no national parks, food inspection, or funds for highway and bridges.

But, everywhere I go in Utah, I hear from my constituents about their frustrations. My office receives numerous letters each month detailing taxpayer interactions with the IRS. It seems that everyone has had, or knows someone who has had, a bad experience with the IRS.

The stories range from small annoyances such as unanswered phones or long periods of time spent on hold to shocking abuses such as unwarranted seizures of assets or criminal investigations being based on false information for the purpose of personal revenue. It is small wonder that the taxpayers are scared and frustrated. These stories illustrate a disturbing trend. They are

dramatic reminders of the failure of Congress to exercise adequate oversight over a federal agency.

I have been here long enough to know that we are never going to be able to achieve a system where people do not get frustrated about paying their taxes—both the process of paying taxes and the amounts. Let's face it: paying taxes is not something we will ever enjoy doing.

We must, however, achieve a system of collection that is efficient, fair, and, above all, honest. Unfortunately, throughout the hearings we have held over the last several months and in the letters my office has received from constituents from my state of Utah and all over the country, we know that the current system often fails on these counts.

We have heard several horror stories from taxpayers, innocent spouses, IRS employees, and those who have been the subjects of criminal raids and investigations. While these are the minority of the cases dealt with by the IRS, they still illustrate that serious abuses are occurring.

We are not taking about appropriate enforcement of the law. We are talking about heavy-handed abuses of enforcement powers. At best, such tactics are counterproductive; at worst, it is reprehensible behavior by big government. It must stop.

The bill before us today gives the IRS Commissioner great flexibility to carry out a fundamental reorganization of the agency. But, it also places the IRS under an independent, most private-sector board to oversee the big picture of operations at the agency. These are two very important elements to creating a new culture of the IRS: responsible leadership and accountability.

I commend the new Commissioner for the steps he has taken so far to rectify these problems at the IRS, and I encourage him to keep going. And, I hope he will not feel constrained by "business as usual" attitudes among those who have an interest in maintaining the current methods. I hope the new Commissioner will shake any dead wood out of the tree.

But Mr. Rosotti needs to know that Congress will hold him and the agency accountable. And, our expectations—and the expectations of the American people—are not hard to fathom.

We do not expect tax delinquents or cheats to go undetected or unpenalized. But, we do expect the IRS to enforce our tax laws appropriately. We expect the IRS to assist taxpayers to understand and comply with complicated laws and regulations. We expect taxpayers to be treated courteously. We expect taxpayers' questions to be answered promptly and their returns processed efficiently. And, we expect any penalties to fit the crime.

Today, we will vote on a bill that takes a leap forward in eradicating a culture that has allowed corruption and abuse to occur over and over again and to taint the efforts of honorable

IRS employees. There has been a lot of talk about changing the IRS into a service-oriented agency, and the bill before us goes a long way towards doing just that. We cannot stop there, however.

While customer service is an important part of the equation, we must go further and address taxpayer rights. The bill before us goes one more step forward and will reform the penalty system, provide taxpayer more protections from unwarranted seizures, and make the IRS more accountable for the actions of its agents.

This bill goes further than the legislation passed by our counterparts in the House last fall. The Senate legislation expands key aspects to grant taxpayers additional protections. The Senate bill adds protections that allow spouses to choose proportional liability, award attorney's fees in more cases, require that the IRS specify to an individual the details of any penalty imposed and suspend interest and some penalties if the IRS does not provide notice of liability within one year after a return is filed.

The bill would add several provisions dealing with the due process of taxpayers including a requirement that the IRS notify taxpayers 30 days before a notice of federal lien, levy, or seizure is filed; a guarantee that the taxpayer has 30 days to request a hearing by IRS Appeals; and the opportunity for the taxpayer to petition the Tax Court to contest the Appeals decision.

The bill also permits an issuer of tax-exempt bonds to appeal the decision of the IRS through the tax court system. This will help protect the individual taxpayers from having to go to court on an individual basis to fight the IRS determination that a bond issue is not tax-exempt. This is extremely important to those municipalities that issue these bonds. These bonds are issued for tax-exempt purposes, such as to construct schools or build hospitals and universities. This is a good provision to provide an avenue of appeals for these bond issuers.

The legislation before us today will fundamentally change how the IRS works. It is a necessary and bold set of initiatives. But, we cannot just declare victory and bask in the glow of a job well done. We must remember how we got to this point in the first place.

The IRS was not born evil, and it is not an inherently bad organization. Rather, it has suffered from decades of neglect and inadequate oversight. Once we have set the agency on the road to recovery and given it the tools it needs to move forward, we must continue to guide it and ensure that the agency continues down the right road. We must continue to responsibly exercise our oversight responsibility. We must have continued hearings, reviews, and cooperation. Left alone, any entity with power and authority will lose its way. Without continued oversight and cooperation, we will soon see this debate repeated on the Senate floor.

This legislation can be summed up in one word—accountability. For too long, the IRS and its employees have operated in an environment with little or no accountability. This bill changes all that. The legislation before us makes individual IRS employees accountable for their actions. It makes management more accountable for the treatment given taxpayers and other employees. Finally, it makes the agency as a whole more accountable to the Congress and the American taxpayer.

This debate has focused on the negative—on the abuses and misdeeds that are the exception and not the rule. Just as a vast majority of the taxpayers are honestly trying to comply with the tax code, the vast majority of IRS employees are honest and hard working individuals doing their best in a very difficult and unpopular job.

Yes, abuses do occur, and we must reform the system to prevent improper activities. At the same time, we must make sure that we acknowledge those employees who are doing their jobs with competence and integrity. These employees are the reason that most taxpayers today, even if frustrated by the forms and irritated with the amount of their tax bill, continue to comply.

Is this bill perfect? No. There are some things I would like to see changed. For example, I have some serious concerns about the creation of an accountant-client privilege in this context. I am concerned that we are using the Internal Revenue Code to effectively amend the Federal Rules of Evidence. We have a clear procedure for amending these rules already set out. Changing these rules is no simple matter. It should only be done through careful, deliberate evaluation of the change and the effect it will have on the judicial system. It should only be done with input from the Judicial Conference of the United States and others.

Despite these misgivings, Mr. President, I want to reiterate the importance of the bill before us today. The IRS touches more taxpayers in more aspects of their lives than probably any other agency. It is an important bill, and we must pass it.

The ultimate goal of reforming the IRS is to protect both the honest taxpayer trying to comply with our complex tax laws and those honest employees struggling to enforce an almost incomprehensible set of tax laws with integrity. The bill before us today makes significant progress toward that goal.

I want to commend Senator ROTH, Senator MOYNIHAN, and my colleagues on the Finance Committee for seeing this bill through. I urge my colleagues to support this legislation.

Mr. JEFFORDS. Mr. President, under the leadership of Chairman ROTH, during this Congress the Finance Committee undertook in-depth oversight of the workings of the Internal Revenue Service. With a week of hearings last year, followed by more hearings just last

week, the Senate brought the IRS under scrutiny, and revealed a side of the agency not seen before.

What the Committee found at these hearings was alarming. We heard numerous stories of outrageous action by the IRS, including:

a criminal agent who sought to "make a name" for himself by fabricating charges against prominent public officials;

IRS supervisors who gave preferential treatment to taxpayers represented by former co-workers and to taxpayers represented by accounting firms where the supervisors hoped to work;

IRS reviewers who reversed auditors' recommended tax increases when taxpayers had competent, well-heeled representation, but allowed similar recommendations to go forward when a taxpayer didn't have a representative;

and IRS agents who conducted armed raids on businesses, even though there was no reason whatever to suspect violence or resistance.

When an organization has over one hundred thousand employees, I suppose it is not surprising that some people are going to make mistakes. However, the abuses that came to light in the Finance Committee hearings struck a responsive chord with the public. From the mail and phone calls I received, I worry that the problems we heard about are not isolated incidents, but are symptomatic of an agency with real management problems.

The bill adopted by the Finance Committee takes several approaches to address some of these problems. The measure calls for new ways of structuring, managing and overseeing the agency. The bill will ease some of the burdens imposed on taxpayers and gives taxpayers important new rights and protections to assert in their dealings with the IRS. The legislation will help assure that taxpayers understand their rights and that they understand how the tax collection system works. Finally, it makes continued oversight by Congress easier.

One of the most important aspects of this bill is its provision for independent review of IRS actions throughout the examination and collection processes. A recurring complaint heard during the hearings was that the IRS serves as police, prosecutor, judge and jury. This legislation attempts to address that problem by calling for increased review of IRS actions and by erecting walls between the various players in the tax collection process to assure that those reviews are truly independent and not merely a rubber-stamp approval.

Under this measure IRS officers will not be able to seize assets without previous independent review by their supervisors, and taxpayers can even request additional review of collection efforts. To assure the independence of the appeals unit reviewing proposed changes to a person's tax liability, the bill prohibits the appeals officer from having ex parte contact with the tax

examiner who proposed the changes. When there are allegations of misconduct, the IRS will no longer investigate itself. Instead, inspections of alleged misconduct will be performed by the Treasury Department. Together with a newly independent Taxpayer Advocate, and a new Oversight Board composed primarily of outsiders, these provisions will assure that actions adverse to taxpayers are not taken without first having a fresh review by an unbiased eye.

New taxpayer rights will also ensure that the IRS conducts reviews to make certain that the positions the agency takes are reasonable. The bill expands the situations in which taxpayers can recover costs incurred in defending themselves against the IRS. Under this bill, if taxpayers hire a lawyer or accountant to represent them before the IRS, and the agency takes an unjustified position that results in no change in tax liability, the taxpayer will be able to recover the costs incurred to fight the IRS, including costs incurred in administrative proceedings. The bill also provides that if the IRS rejects a taxpayer's offer to compromise a tax deficiency, continues to pursue the taxpayer, and ends up recovering less than the taxpayer's offer, the taxpayer can recover costs incurred after the time of the offer.

The IRS has the power to destroy people's lives. These provisions will assure that this power is no longer concentrated in the hands of a single person and make more employees accountable for the agency's actions. The bill will also help ensure that proposed actions are reviewed for reasonableness.

IRS employees will be forced to take their new responsibilities seriously; negligence in the exercise of their duties could be the basis for a new kind of taxpayer lawsuit.

I want to commend Chairman ROTH for his historic hearings on the IRS. I also want to commend him for not capitulating to calls for quick action on the House-passed bill, when the Finance Committee hearings made it apparent that more sweeping changes were needed. I believe that this bill will go far to restore public confidence in the IRS.

Mr. HELMS. Mr. President, I am grateful to the able Chairman of the Finance Committee (Mr. ROTH), and to the distinguished ranking member (Mr. MOYNIHAN) for their hard work and perseverance in bringing this IRS Reform legislation before the full Senate.

For a very long time, it has been obvious that the Internal Revenue Service has a warped view of its intended role in the lives of Americans. The IRS exists, of course, not to harass any taxpayer or to find new and creative ways to abuse its authority, but to serve the American people who, each year, fill the coffers of the U.S. Treasury.

The recent hearings held by the Finance Committee have made it crystal clear that the Internal Revenue Serv-

ice is an abysmal failure in carrying out its mission. Frankly, I don't know whether to be more horrified by out-of-control IRS agents pursuing innocent taxpayers out of personal spite or double-dealing senior IRS managers trying to cover up such malicious conduct.

It hardly matters which is worse, because even one abuse of taxpayer rights at and by the IRS is one abuse too many. So I am pleased that Congress is taking this modest action to make sure the worm turns. For the first time in a long time, the Senate appears ready to put the interests of the taxpayer above the demands of the federal bureaucracy for more and more revenue.

And while I support this measure as a first step in the long road toward a more respectful treatment of the hapless American taxpayer, I trust that it is indeed only the beginning, because the root cause of all of the shenanigans at the IRS is the byzantine complexity of a U.S. tax code crying out for reform.

Some years ago—in March of 1982, to be exact—I introduced my initial proposal for a flat tax on income. This proposal, and other flat tax proposals that have followed, would eliminate the huge bureaucracy of the IRS—a bureaucracy whose size and scope make the abuses uncovered by Senator ROTH and the Finance Committee as predictable as they are inevitable.

I believe in the flat tax, and so do, Mr. President, the American people. A Money magazine poll released in January of this year indicated nearly two-thirds of Americans prefer a flat tax to our current system. I salute my colleagues, especially my distinguished friend from Alabama (Mr. SHELBY), for their courage in continuing to make the case for tax simplification.

And lest you think I'm overstating the absolute travesty that is the United State Tax Code, Mr. President, there's something that you and every other American should read. Dan Mitchell, one of the bright young economists who works around the corner at The Heritage Foundation, recently released a paper entitled "737, 734, 941, 858 Reasons... and Still Counting: Why a Flat Tax is Needed to Reform the IRS."

Mr. President, I do not exaggerate in saying that the statistics contained in this paper boggle the mind. Take note with me of just a couple of examples Mr. Mitchell has compiled to detail the economic cost of the tax code:

The private sector spends \$157 billion dollars to comply with income tax laws.

The federal government spends \$13.7 billion in, yes, taxpayer money to collect—what else?—taxpayer money.

It takes an estimated 5.4 billion hours for Americans to comply with federal tax forms. In fact, the IRS itself estimates that it takes almost 11 hours to fill out a 1040 form.

Then there's the sheer amount of paperwork required every time the law changes. Mr. Mitchell reports the following:



There are 5,557,000 words in the income tax laws and regulations. That's 17,000 pages of paper. And get this: 820 additional pages were added to the tax code by the 1997 budget act.

The IRS sends out an estimated 8 billion pages of forms and instructions to taxpayers annually. For my colleagues who are particularly interested in the environment, they should know that 293,760 trees were needed to supply the paper.

It goes on and on, Mr. President. And I ask unanimous consent that the full text of Mr. Mitchell's paper be printed in the RECORD at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered. (See Exhibit 1.)

Mr. HELMS. Mr. President, the pending legislation in the Senate is obviously not a panacea for everything that is wrong at the Internal Revenue Service. But, as the saying goes, a journey of a thousand miles begins with a single step.

I believe this IRS reform bill is that first step, and I hope that its swift passage by the Senate will help spark the serious debate on tax policy the American people are waiting for. It is my hope—and my belief—that the Senate will begin in the very near future to respond to Americans' desire for real tax relief and real tax simplification.

#### EXHIBIT 1

[From the Heritage Foundation  
Backgrounder, April 15, 1998]

737,734,941,858 REASONS...AND STILL COUNTING:  
WHY A FLAT TAX IS NEEDED TO REFORM THE  
IRS

(By Daniel J. Mitchell)

Last year, The Heritage Foundation released a publication, "577,951,692,634 Reasons...And Counting: Why a Flat Tax Is Needed to Reform the IRS." Since that time, calls to reform the Internal Revenue Service have led to unprecedented hearings in Congress and outcry among the public. In 1997, however, Congress moved away from reform and approved a tax bill that adds even more complexity to the tax code. Because of that bill, as well as Heritage's continued research into the myriad nooks and crannies of the current tax code, 159,783,249,224 new reasons that the Internal Revenue Code should be replaced with a flat tax have come to light, bringing the total number of reasons to 737,734,941,858.

The Internal Revenue Service (IRS) frequently is cited as the most hated of all government agencies. This aversion goes well beyond a simple dislike of paying taxes. Many Americans feel the IRS uses its vast power capriciously to enforce a tax code that is unfair and incomprehensible. Indeed, a 1997 national voter survey finds that the majority of respondents would prefer to undergo a root canal than be audited by the IRS. And a 1990 magazine survey finds that the most frightening words people could imagine hearing when they answer the phone are "This is the IRS calling." Although Americans have every right to be upset by the oppressive tax system, their anger should not be directed at the IRS. The vast majority of problems with the current tax system are the inevitable result of bad tax policy.

The way to reduce the intense popular aversion to the IRS is to enact a flat tax. By wiping out all the complicated, obscure, and

convoluted provisions of the current tax code, a flat tax will reduce compliance costs and ease the uncertainty and anguish that make April 15 everyone's least favorite day of the year. In the words of former IRS Commissioner Shirley Peterson, who directed the agency in 1992, "We have reached the point where further patchwork will only complicate the problem. It is time to repeal the Internal Revenue Code and start over." As reported in *The Wall Street Journal* last year, "A recent survey of 275 IRS workers around the nation, done by a national IRS restructuring commission headed by Senator Kerrey of Nebraska and Representative Portman of Ohio, found overwhelming support within the IRS for simplifying the law."

As the following enumeration demonstrates, almost all the reasons cited for frustration with the IRS really constitute arguments against the tax laws approved by politicians over the past 80 years—and for a fair, simple, flat, tax.

#### THE FEDERAL GOVERNMENT AS A TAX GOLIATH

The IRS is not only the most feared of government agencies, it also is one of the biggest and most expensive. The agency has more employees than the Central Intelligence Agency, Federal Bureau of Investigation, and Drug Enforcement Agency combined, and its budget makes it a bigger consumer of tax dollars than the Departments of Commerce, State, or the Interior.

#### THE NUMBERS SPEAK FOR THEMSELVES

##### New Evidence

12,000 = The number of additional IRS employees needed to answer phone inquiries from confused taxpayers during tax filing season. Because taxpayers will need to know only the amount of their wages and size of their families under a flat tax, additional personnel are not needed.

\$1,000 = The hourly collection quota placed on IRS agents auditing individual taxpayers in the San Francisco office. Although collection quotas violate the law, the current system is so complex that the IRS assumes mistakes will be found on every return. Errors will be very few under a simple and transparent flat tax.

62,000,000 = The number of lines of computer code required by the IRS to manage the current tax code. A simple flat tax will ease the IRS's ongoing computer problems dramatically.

1,420 = The number of appraisals of works of art that an IRS panel performed in order to tax the assets of dead people. Because double taxation under a flat tax does not exist, the absurdity of having the IRS value art would disappear with the death (estate) tax.

3,200 = The number of threats and assaults IRS agents experience over a five-year period. A fair and simple tax system will reduce taxpayers' frustrations dramatically.

##### What We Already Knew

136,000 = The number of employees at the IRS and elsewhere in the government who are responsible for administering the tax laws. Because the number needed is dictated by the complexity of the tax code, fewer personnel will be needed under a flat tax, and the downsizing of the IRS will save taxpayers a significant amount of money.

13,700,000,000 = The amount of tax money spent by the IRS and other government agencies to enforce and oversee the tax code. Both taxpayers and the economy will benefit from the spending reductions made possible by a flat tax.

17,000 = The number of pages of IRS laws and regulations, not including tax court decisions and IRS letter rulings. This page count would be reduced significantly by a flat tax.

5,557,000 = The number of words in the income tax laws and regulations. With a flat

tax, there will be no need for a tax code that is nearly seven times longer than the Bible.

#### THE IRS PAPER MACHINE

With so many employees, so much money, and such a cumbersome tax code, it should come as no surprise that the IRS is one of the country's biggest paper-pushers.

##### New Evidence

820 = The number of pages added to the tax code by the 1997 budget act. A flat tax will slash it to a fraction of its current size.

250 = The number of pages needed to explain just one paragraph in the Internal Revenue Code. A simple flat tax will avoid needless IRS regulation.

271 = The number of new regulations issued by the IRS in 1997. By putting an end to constant social engineering, a flat tax will halt the IRS's constant rewriting of the tax rules.

261 = The number of pages of regulations needed to clarify the tax code's "arms-length standard" for international intercompany transactions.

569 = The number of tax forms available on the IRS Web site. Only two postcard-size forms will be necessary under a flat tax: One for wages, salaries, and pensions, the other for business income.

##### What We Already Knew

31 = The number of pages of fine print in the instructions for filing out the "easy" 1996 1040EA individual tax form. By contrast, individuals will need just one page of instructions to fill out a flat tax postcard.

8,000,000,000 = The number of pages in the forms and instructions the IRS sends out every year. Under a flat tax, the postcard-sized forms are virtually self-explanatory.

36 = The number of times the paperwork the IRS receives would circle the earth each year. Complexity and paperwork will all but vanish under a simple flat tax that treats all citizens equally.

293,760 = The number of trees it takes each year to supply the 8 billion pages of paper used to file income taxes in the United States. A flat tax using two simple postcards obviously will be more friendly to the environment.

1,000,000,000 = The number of 1099 forms sent out each year to help the IRS track taxpayers' interest and dividend income. Under a flat tax, business and capital income taxes will be collected at the source, thereby eliminating this paperwork conundrum.

#### THE IRS BRIAR PATCH

Much to the chagrin of taxpayers, the IRS does not focus solely on generating paperwork. Tasked with enforcing the cumbersome tax code, the agency has numerous unwelcome contacts with taxpayers every year.

##### New Evidence

33,984,689 = The number of civil penalties assessed by the IRS in 1996. Because a flat tax will be so fair and simple, the IRS will have little reason to go after taxpayers.

10,000 = The number of properties seized by the IRS in 1996. Part of this problems is caused by the government's trying to take too much money from people, and part is caused by complexity. A flat tax will reduce the government's take and eliminate complexity.

750,000 = The number of liens issued by the IRS against taxpayers in 1996. A simple, low flat tax will result in fewer fights between the government and taxpayers.

2,100,000 = The number of IRS audits conducted in 1996. Without all the complex provisions in the code under a flat tax, the IRS will have few returns to audit.

85 = The percentage of taxpayers selected by the IRS for random audits who had incomes



less than \$25,000. A complicated tax code benefits the wealthy, who can fight back. A flat tax will be good news for those with more modest incomes.

47=The percentage of taxpayers living in just 11 southern states subject to random audits. Because audits will decline dramatically under a flat tax, so will discriminatory audit patterns like this one.

#### What We Already Knew

10,000,000=The number of corrections notices the IRS sends out each year. With a simple and fair tax system like a flat tax, mistakes will become rare.

190,000=The number of disputes between the IRS and taxpayers in 1990 that required legal action. In a flat tax environment, there will be few potential areas of disagreement, and legal action will become scarce.

3,253,000=The number of times the IRS seized bank accounts or paychecks in 1992.

33,000,000=The number of penalty notices the IRS sent out in 1994. Because a flat tax will eliminate complex parts of the tax code, the number of disagreements between taxpayers and the agency will plummet.

#### DO AS THEY SAY, NOT AS THEY DO

The IRS is quite strict with taxpayers who make mistakes, but the following examples illustrate that it would have a hard time living up to the standards imposed on taxpayers.

#### New Evidence

15=The number of years the IRS believes it will need to modernize its computer system. A simple, flat tax will not require complex computer systems.

1,000,000=The number of Americans who received tax forms with erroneous mailing labels in 1998.

20=The percentage error rate at the IRS for processing paper returns. Even children would be able to process postcard returns under a flat tax.

6,400=The number of computer tapes and cartridges lost by the IRS. Once a flat tax is implemented, these tapes and cartridges could remain lost.

22=The percentage of times reporters for Money magazine received inaccurate or incomplete information in 1997 when calling the IRS's toll-free hot line. To file a return under a flat tax, Americans will need to know only the size of their families and the amount of their wages, salaries, and pensions; they will not need to call the IRS.

40=The percentage of times Money magazine reporters received wrong answers in 1997 in face-to-face visits at IRS customer service offices. A flat tax will be so simple that such mistakes will become almost non-existent.

\$800,000,000=The estimated cost to update the IRS's computers for the year 2000. Scrapping the tax code for a flat tax will allow the government to institute a simpler computer system.

500,000=The number of address changes made to correct the master file by IRS employees each year.

78=The percentage of IRS audit assessments on corporations that eventually are disqualified. A flat tax will replace the onerous corporate tax with a simple, postcard-based system.

#### What We Already Knew

8,500,000=The number of times the IRS gave the wrong answer to taxpayers seeking help to comply with the tax code in 1993 (taxpayers still are held responsible for errors that result from bad advice from the IRS). A flat tax will be so simple that taxpayers rarely—if ever—will need to call the IRS.

47=The percentage of calls to the IRS that resulted in inaccurate information, according to a 1987 General Accounting Office study. A flat tax will free IRS personnel

from the impossible task of deciphering the convoluted tax code.

5,000,000=The number of correction notices the IRS sends out each year that turn out to be wrong. An error rate of 50 percent will be impossible under a flat tax.

40=The percentage of revenue that is returned when taxpayers challenge penalties. Under a flat tax, penalties will become rare, so fewer penalties will be assessed incorrectly.

\$500,000,000=The amount of money that taxpayers were overcharged for penalties in 1993. After a flat tax goes into effect, such injustice will all but disappear.

3,000,000=The number of women improperly fined each year because they have divorced or remarried. Taxing income at the source under a flat tax will eliminate such travesties.

10,000,000=The number of taxpayers who will receive lower Social Security benefits because the IRS failed to inform the Social Security Administration about tax payments. A simple flat tax is likely to free enough IRS time and resources to fix this problem.

\$200,000,000,000=The amount of misstated taxpayer payments and refunds on the books of the IRS. The IRS is no more able to administer tax laws that defy logic than is the average taxpayer. A flat tax will rectify this problem.

64=The percentage of its own budget for which the IRS could not account in 1993, according to an audit by the U.S. General Accounting Office.

\$8,000,000,000=The amount the IRS spent to upgrade its computer system unsuccessfully. Under a flat tax, this money will be saved because the IRS no longer will need to track an impossibly complex and unfair tax system.

\$23,000,000,000=The total proposed price for the IRS's computerization and modernization plans by 2008.

#### BEING COMPLIANT AND MISERABLE ON APRIL 15

Sending huge amounts of tax money to Washington, DC, is never pleasant. Having to incur huge compliance costs for the privilege of paying taxes, however, really rubs salt in the tax wound.

#### New Evidence

6,400,000=The number of taxpayers who visited IRS customer service centers seeking answers to their tax questions in 1996. With a flat tax, few taxpayers will need help.

99,000,000=The number of taxpayers trying to comprehend the tax system who called IRS hotlines in 1996. So long as a taxpayer knows his income and the size of his family under a flat tax, he will have nothing to worry about.

30 years=The number of years a dispute can last between the IRS and a corporation. Even one-year disputes will be rare under a flat tax.

8,000,000=The increase in the number of taxpayers who will be subject to the alternative minimum tax by 2007. This absurd provision forces taxpayers to calculate their income two ways and then pay the government the higher of the two amounts. It will disappear under a flat tax.

\$134,347,500,000=The Clinton Administration's estimate of private-sector compliance costs. If the defenders of the status quo admit compliance costs are this high, the actual costs may well be even higher.

653=The number of minutes the IRS estimates it takes to fill out a 1040 form. A flat tax postcard can be filled out in five minutes.

72=The number of inches of height of the stack of tax forms in the Chrysler Corporation's tax return. A postcard return is only a fraction of one inch in height.

6,000,000=The number of unanswered phone calls made to the IRS in January and Feb-

ruary 1998. Considering that answered calls frequently result in mistakes, taxpayers who fail to get through probably should feel lucky.

2,400,000=The number of phone calls to the IRS that resulted in busy signals in January and February 1998. A busy signal is better than a wrong answer because the IRS holds taxpayers liable for mistakes even if they are following IRS advice.

56=The percentage of calls to the IRS in 1997 that went unanswered. Again, no answer is better than a wrong answer.

#### What We Already Knew

\$157,000,000,000=The amount spent by the private sector to comply with income tax laws. Under a flat tax, these costs will drop by more than 90 percent.

\$7,240=The average compliance cost incurred by all but the biggest 10 percent of corporations for every \$1,000 of taxes paid in 1992. The radical simplification brought about by a flat tax will be a boon for small businesses that cannot maintain legal and accounting staffs to comply with the tax code.

50=The percentage of taxpayers who feel compelled to obtain assistance in filling out their taxes each year.

5,400,000,000=The number of hours it takes Americans to comply with federal tax forms. With only two postcard-sized forms, compliance under a flat tax will require minutes, not hours.

2,943,000=The number of full-time equivalent jobs spent on compliance. In the flat tax world, the cost of tax compliance will fall by more than 90 percent.

\$3,055,680,000=The market value of the tax preparation firm H&R Block, Inc., which opposes a flat tax. The company's opposition is understandable because a flat tax will allow anyone to fill out a tax return without paying an expert.

#### EVEN EXPERTS CAN'T FIGURE OUT THE FORMS

Jumping through all the tax hoops might not be so painful if taxpayers at least could be confident that the effort led to accuracy. The ultimate insult added to their injury, however, is that even "expert" advice is no guarantee of receiving correct answers to tax code questions.

#### New Evidence

\$24,000,000,000=The difference between what corporations said they owed and what the IRS said they owed in 1992—a gap the government admits is due to ambiguity and complexity in the code. A flat tax will eliminate the confusion embedded in the current system.

46=The number of wrong answers Money magazine received in 1998 when it asked 46 different tax experts to estimate a hypothetical family's 1997 tax liability. Professional assistance will not be necessary with a simple, flat tax.

\$34,672=The difference in liability between the highest and lowest incorrect answers among the 46 professionals who failed to calculate the tax liability of Money magazine's hypothetical family. Such responses will be all but impossible under a flat tax.

\$610=The amount the hypothetical family would have overpaid on its 1997 taxes if it had used the answer that came closest to the actual tax liability (assuming, of course that Money magazine's expert had filled out the tax return correctly). Any mistakes, especially large ones, will be unlikely under a flat tax.

45=The number of professional tax preparers who came up with different answers when asked by Money magazine in 1997 to fill out a hypothetical family's 1996 tax return.

45=The number of professional tax preparers who came up with wrong answers when asked by Money magazine in 1997 to fill out a hypothetical family's 1996 tax return.

76=The percentage of professional tax preparers who missed the right answer by more than \$1,000. This kind of result will be impossible under a flat tax.

558,116=The difference between the lowest estimate of the family's tax bill and the highest estimate in Money's survey of tax professionals. Because the complexities in the tax code will disappear under a flat tax, mistakes like this will, too.

581=The average hourly fee charged by the professional preparers who came up with the 45 wrong answers. Taxpayers will pay nothing to calculate their own taxes on postcards under a flat tax.

#### What We Already Knew

50=The number of different answers that 50 tax experts gave Money magazine in 1988 when asked to estimate a hypothetical family's tax liability. Under a flat tax, taxpayers will not need to consult tax preparers, much less run the risk of paying penalties for wrong answers.

50=The number of different answers Money magazine received in 1989 when it asked 50 different tax experts to estimate a hypothetical family tax liability.

48=The number of wrong answers Money magazine received in 1990 when it asked 50 different tax experts to estimate a hypothetical family's tax liability.

49=The number of different answers Money magazine received in 1991 when it asked 50 different tax experts to estimate a hypothetical family's tax liability.

50=The number of wrong answers Money magazine received in 1992 when it asked 50 different tax experts to estimate a hypothetical family's tax liability.

41=The number of wrong answers Money magazine received in 1993 when it asked 50 different tax experts to estimate a hypothetical family's tax liability (9 of the original volunteers did not bother even to respond).

#### THE NEVER-ENDING SHELL GAME

The needless complexity of the current tax code helps explain the reasons that both the IRS and private tax experts frequently make mistakes. Another reason that taxpayers have a problem complying with the law is that politicians have made the tax code a moving target.

#### New Evidence

824=The number of changes in the tax code accompanying the 1997 tax cut. A flat tax will put an end to constant social engineering.

285=The number of new sections in the tax code created by the 1997 budget act. A flat tax will eliminate most of the tax code.

3,132=The number of pages needed by the Research Institute of America to explain the changes in the tax law in 1997. Flat tax postcards needed just one page of instructions.

11,410=The number of tax code subsection changes between 1981 and 1997. A flat tax will eliminate most of those subsections.

160=The percentage increase in the stock value of tax preparation firms in the three-month period during and after enactment of the 1997 budget.

54=The number of lines on the new capital gains form, up from 23 before the 1997 budget deal. Because double taxation will end under a flat tax, the capital gains form will disappear.

#### What We Already Knew

878 = The number of times major sections of the tax code were amended between 1955 and 1994. A flat tax will eliminate today's confusingly complex tax code and replace it

with a simple system that does away with constant tinkering and social engineering.

100 = The increase in the number of forms between 1984 and 1994. A flat tax will eliminate all 100 forms.

9,455 = The number of tax code subsections changed between 1981 and 1994. Under a flat tax, politicians will not be able to use the tax code to micromanage economic or social behavior.

578 = The percentage increase in the number of tax code sections between 1954 and 1994 that deal with major segments of tax law. Endless changes in tax law will grind to a halt under a flat tax.

5,400 = The cumulative number of changes in tax law since the 1986 Tax Reform Act. Most, if not all, of these changes add compliance costs to the economy—costs that a flat tax will reduce substantially or eliminate.

\$20,500,000,000 = The amount of lost income the economy suffered in 1993 as a result of the economic uncertainty in the business community caused by the constant manipulation of the tax code. To help prevent politicians from undermining business planning by constantly changing the tax laws, a flat tax law should include a supermajority provision blocking such tax rate increases.

#### THE AUGEAN STABLES

The problem is not the IRS, but the politicians who created the incomprehensible tax code and those who refuse to reform the system. Politicians also are practically the only people in the country who benefit from a complex and constantly changing tax code.

#### New Evidence

\$400,000,000 = The amount of the special tax break for one corporation inserted in the tax code in 1986 at the urging of Dan Rostenkowski (D-IL), then chairman of the House Ways and Means Committee. A flat tax will wipe out provisions for special-interest groups.

#### What We Already Knew

\$413,072 = The average amount of political action committee contributions received by members of the House of Representatives tax-writing committee during the 1994 election cycle. A flat tax will reduce special-interest corruption and eliminate the ability of politicians to use the tax code to reward friends and punish enemies.

12,609=The number of special-interest organizations officially represented by congressional lobbyists. A flat tax will wipe out all special preferences, loopholes, deductions, credits, and tax shelters.

\$3,200,000,000=The total amount earned by Washington, D.C., lobbyists in 1993. By taking away the playing field for special-interest tinkering, a flat tax will clean up political pollution.

2=The number of IRS offices in Washington, D.C., made available to Members of Congress and their staffs. With someone else doing their taxes—free—it is little wonder that Members of Congress do not understand the public support for a flat tax.

#### WHY JOHNNY REFUSES TO PAY

There comes a point at which taxpayers simply give up. Some are driven into the underground economy by the sheer complexity of the system. Others conclude that an unfair tax code has no moral legitimacy and simply refuse to comply.

#### What We Already Knew

\$127,000,000,000=The amount of taxes not paid as a result of tax evasion. A fair, simple, flat tax will reduce tax evasion.

10,000,000=The number of people who unlawfully do not file tax returns. By reducing both the tax burden and compliance costs, a flat tax will bring people out of the underground economy.

3,500,000=The number of people who do not file who would be eligible for refunds. Per-

haps more than any other number, the millions of people who fail to file in order to claim their tax refunds reveals just how intimidating the tax code has become.

4=The number of times a single dollar of income can be taxed under the current system, counting the capital gains tax, corporate income tax, personal income tax, and death (estate) tax. By eliminating double taxation, a flat tax will make sure the government treats all income equally and will end one of the biggest causes of tax evasion and complexity in the current tax code.

100,000=The number of Internet sites found by one search engine when queried for the phrase "tax shelter." Because a flat tax will eliminate all discrimination in the tax code and allow people to keep a greater share of their income, tax shelters will almost vanish after reform.

#### ENOUGH IS ENOUGH

The damage caused by the current tax code, both to the economy and to the body politic, is reaching crisis proportions. Insulated from the effects of their own handiwork, however, politicians are very likely to be the last ones to understand just how indefensible the system has become. Perhaps these real examples of IRS abuse will help them to understand the problem:

#### New Evidence

\$3,500=The amount one woman was forced to pay twice, even though the IRS eventually admitted the debt had been owed—and paid—by her former husband.

\$210,260=The amount the IRS tried to garnish from the wages of a woman for the back taxes her husband had owed before their marriage.

\$26=The amount the IRS seized from a 6-year-old's bank account because her parents owed money.

\$70,000=The amount demanded by an IRS agent who was threatening to send a couple to jail in a case that the tax court subsequently dismissed because the IRS's claim "was not reasonable in fact or in law."

\$50,000=The amount the IRS was forced to pay a taxpayer after engaging in a vendetta against him, including putting the innocent man in jail for four months.

\$6,484,339=The amount demanded by the IRS from the family of a victim of Pan Am flight 103, based on the assumption of a future settlement.

\$900,000=The amount a small businessman was fined after being entrapped by his accountant, a paid informer for the IRS.

\$5,300,000=The amount the IRS paid its informants in 1993.

25=The percentage of households with incomes over \$50,000 that would pay an inaccurate assessment from the IRS rather than fight.

#### What We Already Knew

\$46,806=The amount of tax penalty imposed on one taxpayer in 1993 for an alleged underpayment of 10 cents.

\$1,300=The number of IRS employees investigated and/or disciplined for improperly viewing the tax returns of friends, neighbors, and others.

\$155=The amount of penalty imposed on a taxpayer in 1995 for an alleged underpayment of 1 cent.

50=The percentage of top IRS managers who admitted they would use their position to intimidate personal enemies.

\$14,000=The amount allegedly owed by a day-care center that was raided by armed agents, who then refused to release the children until parents pledged to give the government money.

80=The number of IRS agents referred for criminal investigation on charges of taking kickbacks for fraudulent refund checks.

\$3,000,000,000=The dollar assets of Princeton/Newport, an investment company that was forced into liquidation after 40 armed federal agents raided the company on suspicion of tax evasion—only to have the IRS later conclude that Princeton/Newport actually had overpaid its taxes.

\$10,000=The fine imposed on one taxpayer for using a 12-pitch typewriter to fill out his tax forms instead of a 10-pitch typewriter.

109=The number of envelopes containing unprocessed information found in the trash at the IRS's Philadelphia Service Center.

Grand Total: More than 737 billion incredible-but-true reasons to simplify the tax code with a flat tax.

#### WHAT THESE NUMBERS REALLY MEAN

These horror stories and statistics are not necessarily evidence that individual IRS agents are bad people, or that tax administrators want to violate people's rights. Although examples of unwarranted behavior are included in this discussion, the key problem they illustrate is that current tax law is so arbitrary and incomprehensible that even government agents in charge of enforcing the law cannot make sense of it.

The only way to address these problems is through fundamental reform. A flat tax will reduce the power of the IRS dramatically by eliminating the vast majority of possible conflicts. In a system in which the only information individuals are obligated to provide is their total income and the size of their families, much of the uncertainty and fear regarding paying taxes will disappear.

Most individuals never have to experience the greater complexities of paying corporate income taxes; still, they can appreciate the fact that a flat tax will generate dramatic savings for business. Under a flat tax, the money that businesses now spend to comply with the tax code will become available instead for higher wages and increased investment, thereby helping the United States to become more competitive.

Although the key principle of a flat tax is equality, it turns out that a system based on taxing all income just one time at one low rate also promotes simplicity. To understand the reasons that introducing a flat tax would lead to such a dramatic reduction in both tax code complexity and compliance costs, consider the following numbers:

0=The number of taxpayers under a flat tax who will have to calculate depreciation schedules.

0=The number of taxpayers under a flat tax who will have to keep track of itemized deductions.

0=The number of taxpayers under a flat tax who will need to reveal their assets to the government.

0=The number of taxpayers under a flat tax who will lose their farms or businesses because of the death (estate) tax.

0=The number of taxpayers under a flat tax who will have to pay a double tax on their capital gains.

0=The number of taxpayers under a flat tax who will have to compute a phase-out of their personal exemption because their incomes are too high.

0=The number of taxpayers under a flat tax who will be subject to the alternative minimum tax—those forced to calculate their tax bill two different ways and then to pay the government the greater of the two amounts.

0=The number of taxpayers under a flat tax who will have to pay taxes on overseas income that already was taxed by the government of the country in which the income was earned.

0=The number of taxpayers under a flat tax who will have to pay taxes on dividend income that already was taxed at the business level.

0=The number of taxpayers under a flat tax who will be taxed on interest income that already was taxed at the financial institution level.

#### CONCLUSION

Those who urge policymakers to "fix" the IRS should realize that condemning the agency itself will not solve the intractable problems of the current tax code. Furthermore, enacting a "taxpayer bill of rights" will accomplish little if provisions of the tax code that constitute the underlying problem are left in place. At least two versions of a "taxpayer bill of rights" previously enacted into law have had little effect.

Americans rapidly are approaching the level of anger toward unfair, capricious, and oppressive taxation that gave rise to the American Revolution in 1776. This anger is directed at an immense and impersonal government agency that often operates outside the standards it imposes on taxpayers. Americans should be angry, but not at the IRS: They should direct their anger toward the Members of Congress responsible for enacting the laws that created today's tax code.

The only effective way to enhance compliance and slash compliance costs while protecting the rights and freedoms of individual taxpayers is to scrap the current system and replace it with a fair, simple, flat tax.

#### CONSOLIDATED RETURN REGULATIONS

Mr. DEWINE. Mr. President, I would like to take a moment to discuss an important economic development matter for the people of Ohio. Currently included in the Internal Revenue Service Restructuring and Reform Act of 1998 is a technical correction that would attempt to resolve an apparent conflict that exists between consolidated return regulations and section 1059 of the Internal Revenue Code of 1986. It is very important that this area of the tax code and regulations be clarified so that it does not create an impediment to the expansion of businesses in the State of Ohio and throughout the country.

While the technical correction that was included in the IRS reform bill is a good start toward resolving this conflict of the consolidated return regulations and section 1059, further clarification is needed. I am hopeful that as the IRS reform bill proceeds to conference that the conferees will take another look at the technical correction and work toward correcting this conflict.

Mr. ROTH. I thank the Senator for bringing this to my attention and I can assure the Senator that we will take a look at this in conference.

Mr. COATS. "The power to tax involves the power to destroy."

Mr. President, this famous quote by Chief Justice John Marshall, from the landmark Supreme Court case *McCullough versus Maryland*, rings as true today as it did in 1819. The Internal Revenue Service, through its unchecked powers of taxation, has been destroying the lives of honest, hard-working Americans for many years. This systemic abuse has been well documented in the recent oversight hearings on the IRS conducted by the Senate Finance Committee. I rise today to support the IRS Reform and Restructuring Legislation unanimously ap-

proved by the Finance Committee. This bill will effectively end this agency's reckless disregard of taxpayer rights.

We have all heard the horror stories of taxpayer mistreatment inflicted by the IRS. From armed IRS agents raiding innocent taxpayers homes to Americans being subjected to years of harassment and unsubstantiated audits. A few years back one such incident of ineptitude occurred in my own State of Indiana. One of my constituents—who gave me permission to tell his story, but asked that I not disclose his name for fear of retribution from the IRS—was getting ready to buy Christmas dinner for himself and his family. This gentleman was shocked to learn that he had no money in his bank account. His entire savings account had been wiped clean by the IRS for "Back Taxes and Penalties." Upon calling the IRS, he was told that his tax form from 1987 was missing and he had not answered any of the registered letters sent to him.

Of course, the IRS sent the registered letters to the address he had lived at in 1987, not his current address—the address from which he correctly filed his taxes (and got returns) for the five subsequent years!!!

This outrageous tale of mismanagement does not end there. A few months later—after some paper shuffling at the IRS—this gentleman was told that based on the information that he provided the IRS actually owned him a refund of \$1500!!!! However, the statute of limitations on refunds had run out and he would not be getting his check. My constituent was not happy with this recent development, but considered the matter over. Of course, ten days later a check for \$1500 arrived on his doorstep. Only at the IRS!!!!

The stories of abuse and mismanagement have come not only from taxpayers, but from IRS employees as well. Past IRS employees describe an agency rife with ineptitude and misconduct. They detail scenarios in which agents were told to target lower-income individuals or those of modest education for audits. One agent testified that "Abuses by the IRS are indicative of a pervasive disregard of law and regulations designed to achieve production goals for either management or the individual agent." Further, auditors have testified of favoritism being extended to wealthy individuals and powerful corporations. It is obvious that we are dealing with an agency that is out-of-control.

Throughout history, tax collectors that overtaxed or abused taxpayers were treated with much disdain. In ancient Egypt, a corrupt tax collector who exploited the poor had his nose cut-off. During the French Revolution, tax collectors kept their noses, but lost their heads to the guillotine. But in America, we have a different, innovative method for treating overzealous tax collectors—we reward them with promotions and bonuses!! One particular corrupt agent stole 20 cars and was

able to retire with full benefits!! Other agents and divisions were evaluated solely on whether they had achieved certain quotas. The message given from management to the agents was that the ends always justify the means.

It is disgraceful that an agency of the greatest democracy in the world could have attributes that would be better associated with a paramilitary wing of a despotic regime. It is high time we passed this legislation and urged the new commissioner of the IRS, Mr. Charles Rossotti, to conduct a thorough house-cleaning.

The IRS exists to serve the American people—not the other way around. There must be more accountability for the IRS and more protection for the taxpayer. Efficiency and honesty should be twin goals for the IRS. H.R. 2676—the Internal Revenue Service Restructuring and Reform Act of 1998—is a first step towards achieving this end.

Mr. President, I will end with another quote from a Supreme Court Justice, Oliver Wendell Holmes, Jr. This quote has substantial meaning in this debate because it adorns the wall of the IRS building here in Washington.

“Taxes are what we pay for civilized society.”

If that is in fact the case, it is time we demand that the Internal Revenue Service act in a civilized manner.

Mrs. FEINSTEIN. Mr. President, I rise in support of the legislation to reform the Internal Revenue Service. The Finance Committee deserves tremendous credit for leading the reform effort and conducting hearings to illustrate the tremendous concerns. The legislation will help restore public confidence in a very troubled agency.

Last summer, the National Commission on Restructuring the Internal Revenue Service, under the leadership of Senator BOB KERRY and Representative PORTMAN, issued its report to reform the agency. The Finance Committee conducted several days of hearings, receiving compelling testimony, regarding a variety of concerns with the activities of the IRS. It's clear that these problems transcend any single administration, but reflect years of neglect, improper incentives, inadequate training and mismanagement.

This legislation, along with the appointment of the agency's new Commissioner, Charles Rossotti, will help provide a “fresh start” for the troubled agency.

I support the legislation, which adopts important reform steps:

Crates an IRS Oversight Board: The bill creates a new entity, the IRS Oversight Board, drawing on private sector individuals as well as the Treasury Secretary, the IRS Commissioner and a representative of the IRS employees. The Commission will have the authority to review and approve major issues of policy, such as IRS strategic plans, IRS operations and recommend candidates for important positions, like the IRS Commissioner and the National Taxpayer Advocate.

Adopt important protection, including more disclosure to taxpayers and enhanced protection for the “innocent spouse”: The bill requires the IRS to better inform taxpayers about their rights, potential liabilities when filing joint returns, as well as the IRS process for auditing, appeals, collections and the like. The bill would expand the protections provide to “innocent spouses” who find themselves liable for taxes, interest, or penalties because of a spouse's action taken without their knowledge.

End Bureaucratic overlap: The legislation allows the IRS Commissioner to move forward to eliminate the current national, regional and district office structure of the IRS. The Commissioner has proposed a plan to replace the antiquated 1950s structure, with a new management model, operating to serve specific groups of taxpayers. This can ensure greater professionalism in the agency and more uniformity across the nation.

Strengthens and streamlines the Role of the Inspector General: The bill creates a new office of the Treasury Inspector General for Tax Administration. Regional and district Inspectors General would report to the IRS Inspector General, rather than district offices, strengthening their independence and enhancing their oversight role.

Strengthens the Office of the National Taxpayer Advocate: The bill strengthens the office of the National Taxpayer Advocate, to represent the interests of taxpayers in the IRS policy process, proposing legislation, changes in IRS practice and assisting taxpayers in resolving problems. The National Taxpayer Advocate is also supplemented by local taxpayer advocates around the country. These local advocates will report to the national advocate, rather than local officials, which might undermine the independence and public credibility of the local taxpayer advocate.

Prepares for the future: The bill encourages more taxpayers to file tax returns or tax information electronically, expediting the process for taxpayers and employers filing payroll tax information.

The bill adopts important reforms. As a previous supporter of efforts to strengthen taxpayers' rights, I am pleased to extend my support.

I acknowledge the IRS, which includes thousands of diligent, conscientious employees, has an extraordinarily difficult challenge. Each year the Service receives: nearly 210 million tax returns in 1997; collects and accounts for well in excess of one trillion dollars; generates nearly 90 million refunds; and receives millions of calls, letters and visits from taxpayers in need of help.

The vast majority of these taxpayers are dealt with fairly and effectively, but no excuse can be made for some of the experiences and horror stories described during Finance Committee hearings.

As Senators know, last September, the Finance Committee began to hold a series of hearings identifying heart-rending stories from taxpayers, identifying specific tax problems. One of the witnesses, Kristina Lund of California, described the tax problems linked to IRS enforcement action following her divorce. Ms. Lund was stuck with the tax bill, frustrated by an unresponsive IRS, as a tax debt ballooned from \$7,000 in 1983, to \$16,000, as a result of delayed notification and confusion between Ms. Lund and her former husband. The burden of correcting the problems were enormous for Ms. Lund, a newly hired bank employee earning approximately \$15,000, and her 14 year old daughter. This bill incorporates some reform for the “innocent spouse,” preventing more individuals from falling into Ms. Lund's circumstances. The bill would expand the protections provided “innocent spouses” who find themselves liable for taxes, interest, or penalties because of actions by their spouse of which they did not know and had no reason to know. The bill will ensure that more women are treated fairly.

I am pleased the Senate was able to add, with my support, Senator GRAHAM's amendment to clarify that coercion or duress cannot void an innocent spouse's claim for protection. I share Senator GRAHAM's concern with the bill, which provided that an innocent spouse, who had knowledge of the under-reported income, was denied “innocent spouse” protection. Without the Graham amendment, a spouse could be coerced or pressured to go along with a tax scam, and suffer the tax consequences for years. I am pleased we could add the Graham amendment, providing an extra layer of protection for innocent spouses.

We have heard a great deal of frustration with the IRS, but Congress deserves its fair share of the blame for taxpayer frustration with the complex and confusing tax code. Over the years, the IRS Tax Code has become more complicated, not less so. Despite the best of intentions, Congress has helped to make the taxpayers and tax collectors responsibilities more difficult.

The Finance Committee received the testimony of the Certified Public Accountants, noting that from 1986 to 1997, there have been eight years with significant changes to the tax laws, including the 1997 Taxpayer Relief Act. The witnesses noted the Taxpayer Relief Act of 1997, which I supported, alone contains: 36 retroactive changes; 114 changes that became effective on August 5, 1997; 69 changes that became effective January 1, 1998; and 5 changes that became effective on another date.

No wonder taxpayers and tax professionals are so confused and frustrated!

Congress needs to be certain we are providing the IRS with the resources needed to get the job done. Tax professionals noted the Treasury Department

also has a significant backlog in producing IRS regulations to provide guidance for taxpayers. Tax complexity increases the IRS' challenge to administer the tax system fairly, and compounds the taxpayers' problems in meeting their tax obligations.

Congress also needs to ensure we are providing adequate resources to the IRS, to permit adequate training and ensure the skills of the IRS employees are current and up to date. During the hearings, the Finance Committee listened to the testimony of Darren Larsen, a Southern California attorney, in which she described conduct that was simply contrary to federal law. Ms. Larsen described the use of some "on-the-job instructors" who lacked an understanding of some of the legal fundamentals and passed their errors on to newer revenue officers. I am sure the vast majority of IRS enforcement officers work diligently to implement the laws, but even occasional errors are unacceptable.

I am pleased to support the Committee's legislation. However, one area of reform the Committee declined to implement deals with the "marriage penalty." I will continue to follow the committee's work on this issue closely, which is an important issue for women.

Marriage penalties arise because a couple filing a "joint return" face tax brackets and standard deductions that are less than twice the level of those for single filers. As a result, the marriage of two individuals who pay taxes in the same tax bracket, receive a smaller standard deduction and may be forced into a higher bracket than they would if they filed their taxes as individuals. While more couples receive marriage "bonuses" than marriage "penalties," the issue deserves closer review.

Senator HUTCHISON has introduced S. 1314, legislation to address this issue, proposing to allow married couples to file "combined" returns, in which family income is allocated to both individuals, taxing each spouse at the single taxpayer rate. The legislation would allow couples to file as either joint, single, or head-of-household. This would eliminate those taxpayers who receive a marriage penalty, while leaving marriage bonuses in place.

However, by getting rid of the "marriage penalty," Congress could find itself unfairly increasing taxes for single tax filers. Further, the proposal could cause substantial revenue losses, perhaps as much as \$40 billion per year, and would complicate the tax system. Taxpayers would be required to perform tax calculations, both, as an individual and as a couple, choosing whichever tax was lower. In this legislation to simplify the tax code, Congress should be very concerned with a proposal which could require additional steps and additional tax calculations for taxpayers.

I am interested in the approach taken by S. 1989, legislation introduced by our colleague, Senator FORD. This

approach would widen the tax brackets and raise the standard deduction for joint filers to a level twice that of the single tax filer. This approach would also eliminate the marriage penalty, while providing added tax relief for families. I am anxious to follow the Committee's progress.

The Senate Finance Committee has taken very important steps to reform the IRS and I am pleased to support the legislation. I have previously supported efforts to provide more protection for taxpayers, including the earlier "Taxpayer Bill of Rights" and this bill makes similar progress. The administration also deserves support and IRS Commissioner Rossotti also deserve our support. Taxpayers want and deserve better information and a more fair process. I am pleased to support these efforts to set a new course for the IRS.

Mr. SMITH of New Hampshire. Mr. President, I rise in support of H.R. 2676, the IRS reform bill that is now under consideration on the floor. This bill, which is the product of extensive oversight hearings, is much needed and long overdue. I applaud Chairman ROTH and the other Finance Committee members for reviewing the legislation sent to us by the House, for their efforts to strengthen the bill, and for their persistence in moving this bill to the Senate floor.

As taxpayers testified at the Finance Committee hearings, the abuses fostered by the IRS are intolerable. Innocent taxpayers are suffering under an out-of-control agency.

We have witnessed this problem in my own state of New Hampshire. Shirley Barron of Derry, New Hampshire has suffered greatly since her husband's death in 1996, and she claims that the IRS's collection tactics are the cause. The Barrons' problems with the IRS began in the mid-1980s when they lost an \$80,000 investment. The couple's accountant advised them that they could get a tax deduction, but the IRS informed the Barrons two years later that they had to pay. Mrs. Barron said that she and her husband were unable to pay the IRS immediately, so interest and penalties mounted. According to Mrs. Barron, her husband took his own life just after learning that creditors were to foreclose on the couple's Derry home because the IRS had placed a lien on it. Even after Mr. Barron died, the agency continued their collection efforts against Mrs. Barron: They foreclosed on the family's Cape Cod vacation home, they took her tax refunds, and they placed claims against the life insurance of her late husband. The IRS recently agreed to cancel Mrs. Barron's entire tax debt, thus ending her long ordeal. While this is a welcome development, it won't bring her husband back. No one should have to go through an ordeal like that again.

Last week, the Senate Finance Committee heard similarly disturbing accounts of IRS intimidation from agency employees. Auditors and agents

voiced their frustration with field office managers and high level management. Some reported that almost no one at the agency listens to them when they report discrimination or wrongdoing. For example:

Ginger Garvis, a District auditor in New York City, said that she uncovered a multimillion-dollar tax evasion and money-laundering case which her supervisors refused to pursue. Ms. Garvis testified that the IRS often forgives tax debts by large firms with the resources to fight back in court. Instead, it focuses on smaller companies that cannot fight back.

Michael Ayala, a thirty-year IRS employee, testified that he has observed "a broad range of misconduct by high level managers." He said that "such abuses are generally known to a large percentage of the IRS workforce but are perpetuated by management's intimidation and punishment of anyone within the agency who objects to or reports such misconduct."

A former IRS criminal investigation agent, Patricia Gernt, reported that her supervisors did little or nothing to help her stop another IRS agent who tried to frame former U.S. Senator Howard Baker.

Perhaps for these reasons, another District auditor in New York City testified: "before there is a taxpayer victim there is first an employee victim."

Such an atmosphere of fear and intimidation is deplorable and must be stopped. The American taxpayers deserve better.

H.R. 2676 will help us change the culture at the IRS to which so many are objecting. This bill establishes many new taxpayer rights; it calls for the IRS to revise its mission statement to focus on taxpayer service; and it provides for increased oversight of agency activities by a citizens' advisory board. At the same time, the bill gives the new IRS Commissioner, Charles Rossotti, broad flexibility to better manage the agency.

I urge my colleagues to support this legislation. We have an historic opportunity to restore accountability to the IRS and change how the agency functions. Let us seize this opportunity by promptly passing H.R. 2676.

Thank you, Mr. President.

Mr. CRAIG. Mr. President, I rise in support of the IRS Reform Act. I would like to begin by congratulating Chairman ROTH for holding the recent IRS hearings. The Finance Committee's historic hearing have made it possible for us to consider this bill, and they have made the Senate version of the bill improved and stronger than the House-passed version of HR 2676.

However, I'm disappointed by the recent remarks by the Minority Leader, who said the Chairman's hearings were "sensationalistic." These hearing were not "sensationalistic," but were instead about getting at the truth. They exposed sensationally bad news about how a powerful arm of government has treated individual taxpayers. Indeed,

given the stories that emerged, even holding these hearings was a brave act.

Without these hearings there would have been no appointment of William Webster to review the IRS Criminal Investigation Division; no announcement of a special internal task force; the public would not have known that even a Senate Majority Leader is not protected from bizarre, apparently criminal, targeting; the bill might not have been as strong as it is; and, after a brief flurry of attention, the IRS would assume it was safe to return to business as usual.

There are many causes to the problems that these hearings exposed. The culture which pervades the IRS is arrogant, powerful, and a law unto itself—it is unaccountable to anyone else. The tax law, too, is to blame. After forty years of liberal Congresses encouraging and empowering the IRS, it seems as if their only goal is to get the money and that the ends justify the means. We also must not forget that individual IRS agents also overstep the law. We still want to believe most IRS employees are conscientious civil servants. However, the hearings show the IRS has not disciplined its own. In fact, the IRS culture has rewarded rogue activity, punished whistle blowers, and carried out retribution against innocent taxpayers. The problem of "rogue agents" is really more a problem of a rogue agency. Today, in law and in practice, drug dealers, child molester, and organized crime have more legal rights than the average taxpayer whom the IRS suspects may owe a few dollars in back taxes.

The IRS abuses are part of a bigger problem. There is a culture of big government, growing like a cancer on the body politic for two generations, that says the money you earn isn't yours, it's the government's; that says freedom isn't the individual's unalienable right, it's the government's to give or take away; that promises compassion and support, but demands control and dependence. It may all be relative, but it's becoming more like Big Brother and less like Uncle Sam.

Now is the time to turn that tide. A Republican Congress has started already. We enacted the welfare reform law of 1996, which expects individual responsibility and encourages individual and community initiative. We also passed the Balanced Budget and Taxpayer Relief Acts of 1997 which said we will put limits on the appetite of government.

Now we must take the next step with IRS reform. More Americans come into contact with their government through the IRS than through any other means. This bill is the first significant step to reminding everyone that the taxpayer is the boss—not the IRS, not the government.

But this bill is only the first step. We need continued and increased oversight of the IRS through more hearings. From calls and letters from our own constituents, Senators know the first

few hearings only scratched the surface of the tip of the iceberg. Sunlight is the best protection the people have. We also need to look at more reforms, especially protecting due process and privacy rights and increasing accountability for wrongful actions. Continued, aggressive committee activity are also a must.

The ultimate IRS reform will be abolishing the current tax code and starting over with a new, fairer system. Later this year we will take the next step—voting to sunset the tax code. This would underline our commitment to ending the tax code and the IRS as we know them; guarantee the American taxpayer we will build a new, fairer system, from the ground up; and force Congress and the President to come to terms on creating a new system.

Of course, President Clinton and others will fight to preserve the status quo. For a while, they tried to block IRS reform, but saw the American people wouldn't stand for it. Now President Clinton wants to dress up as First Drum major and get out in front of the parade Congress started. Mr. President, we welcome your help, however belated, if it's sincere and substantial. But, Mr. President, at least have the honesty to say, "me, too" instead of, "my idea." President Clinton and his allies still say sunseting the tax code would create uncertainty, but a sunset creates no more uncertainty than the status quo, which has perpetuated uncertainty for decades with a major new tax bill about every two years. Opponents don't want major tax reform—they like the current code and the way it shakes down the taxpayer. They will use divide and delay tactics, pretending to support reform but making sure no one proposal breaks out of the pack. But the American people know better, tax reform will be debated thoroughly across the country between now and 2000.

Now and in the future, the American people are demanding change. They want an IRS that is fair, courteous, and respects their rights of due process and privacy. Congress is committed to creating a new culture at the IRS, serving the taxpayer, not treating them like a criminal class; treating taxpayers with respect and dignity; pursuing criminals, not quotas; and upholding the Constitutional principle of "presumed innocent until proven guilty."

For the future, the American people demand fundamental change—a new tax code that is simple, fair, efficient, and allows working Americans and their families to keep more of the fruits of their labors. Republicans in Congress are committed to creating that completely new system.

Mr. HAGEL. Mr. President, the time has arrived to put some accountability and common sense into one of the most out of control federal agencies in the Federal Government, the Internal Revenue Service.

Over the past nine months we have heard volumes of testimony regarding the many problems associated with the Internal Revenue Service—lack of leadership, an unresponsive agency and abusive employees. But the most important issue that we must not forget is accountability. No one is being held accountable at the IRS. This must change.

If federal agencies and their employees are not held accountable for their actions, we have lost control. The American people send billions and billions of dollars of their hard-earned money to Washington, D.C. each year in taxes, to fund a government that most Americans see as too big, too intrusive, and unaccountable.

Congress is taking a good first step at bringing accountability to the IRS through the Internal Revenue Service Restructuring and Reform Act. This legislation would create an IRS oversight board to oversee the IRS in every aspect of its administration of the tax laws. The Act also replaces the many levels of bureaucracy at the IRS—district offices, regional offices and national office—with offices that are trained to handle groups with specific concerns—individual taxpayers, small business, large business and tax-exempt entities.

The Act also creates and enhances many taxpayer rights and protections. The burden of proof in court proceedings would be reversed from the taxpayer to the IRS when the taxpayer produces credible evidence that is relevant. The Act extends the attorney-client privilege to accountants and other tax practitioners. Finally, the Act overhauls the "innocent-spouse" relief provision. A spouse would be allowed to limit their tax liability for a joint-return to the spouse's separate liability attributable to the spouse's income.

These are just a few examples of where and how the IRS Restructuring and Reform Act will bring the IRS back to reality. If there is accountability there is control.

Mr. KERRY. Mr. President, I join many of my colleagues in support of the IRS Restructuring and Reform Act of 1998. This legislation is a victory for taxpayers, a victory for small businesses, and a victory for the American family. I applaud the work of my colleagues, Senators ROTH, BOB KERREY, GRASSLEY, and others, who have demonstrated such determination, vision and leadership on this issue.

I believe that the average American taxpayer is fundamentally honorable, willing to play by the rules and carry his or her fair share of public obligations. Most public servants at the Internal Revenue Service (IRS) perform their jobs responsibly. But, sadly, there are exceptions on both sides of this equation, and those exceptions lead to contentious circumstances which must receive careful IRS management attention. Regrettably, that has too often not been forthcoming. Along with most

Americans, I watched the recent Senate Finance Committee oversight hearings on the Internal Revenue Service. A number of witnesses told of economic and emotional hardship at the hands of abusive IRS agents. Unfortunately, while the facts of a number of these cases were shocking, the fact that there are such cases was not surprising. During my 13 years in the Senate, I have assisted many taxpayers in Massachusetts who have protested similar treatment by IRS employees. Most recently here the widow of a well-respected lawyer filed suit, charging that her husband was literally hounded to death by IRS collection agents. He committed suicide on Cape Cod, leaving behind a note which complained that the IRS "sits, does nothing and then watches you die."

While we must be careful not to presumptuously conclude that all problems that arise between the taxpayers and the IRS are the result of inappropriate actions or demeanor by the IRS and its employees, the evidence indicates this is the cause with sufficient frequency that the Congress is compelled to address this problem. It is clear that the Internal Revenue Service is subject to some difficult challenges. After downsizing in recent years, the remaining IRS agents are strained as they try to meet the demands of increased audit and collection work. The management structure within the IRS has made these problems even more difficult to solve. Regardless of the reason, the abusive and humiliating tactics about which we all heard during the Finance Committee hearings are intolerable and must be stopped. This legislation is an important step in the process of reinstituting controls at the IRS that should rectify these problems.

Our system of taxation is based on voluntary compliance. And we have the best record of paying our taxes in the industrialized world. For at least part of the last two decades, 95 percent of wage-earners in this country paid their taxes accurately and on time. And while a recent study found that nearly 12 percent of our economic output evades taxation, this number is dwarfed by the noncompliance rates of our international competitors.

I have previously supported reform efforts that were intended to make tax collection fairer, and the IRS more accountable. In 1988, I cosponsored the Taxpayers Bill of Rights which expanded the procedural and disclosure rights of taxpayers when dealing with the IRS, prohibited the use of collection results in IRS employee evaluations, and banned revenue collection quotas. During the 104th Congress, I cosponsored the Senate version of the Taxpayers Bill of Rights II, which created the Office of Taxpayer Advocate, allowed installment payments of tax liabilities of less than \$10,000, and imposed notification and disclosure requirements on the IRS. Last year, we enacted the Taxpayer Browsing Protec-

tion Act, which imposes civil and criminal penalties on Federal employees who gain unauthorized access to tax returns and other taxpayer information.

The Internal Revenue Service Restructuring and Reform Act of 1998 before the Senate today will restructure and reorganize the Internal Revenue Service. It will create a new IRS Oversight Board to review and approve strategic plans and operational functions which are crucial to the future of the agency. The Oversight Board, consisting of six citizens, the Secretary of the Treasury, the Commissioner of the IRS and a representative of the IRS employees' union, will reestablish control of the IRS by reviewing operations and ensuring the proper treatment of taxpayers by the IRS. It will shift the burden of proof from the taxpayer to the IRS in court if the taxpayer complies with the Internal Revenue Code and regulations, maintains required records and cooperates with IRS requests for information.

I do have some concerns that this provision could give comfort to a small number of Americans who will do anything to avoid paying their taxes and may make the system of tax collection even more complicated. But I think the benefits for the great majority of taxpayers who are trying to do the right thing required support for the bill.

The bill also would allow taxpayers to sue the IRS for up to \$100,000 in civil damages caused by negligent disregard of the law. It also expands the ability of taxpayers to recover costs, including the repeal of the ceiling on hourly attorneys' fees.

Finally, it expands the protections provided to "innocent spouses" who find themselves liable for taxes, interest, or penalties because of actions by their spouse about which they did not know and had no reason to know.

This bill makes positive changes that will foster continued growth and cooperation by the American people. If we were to do nothing, and the IRS were to continue on its present course, it is likely that there would be a continued slide in the public's faith in the tax collection system.

Americans merit an efficient and a respectful government. In the course of history, we have fought for freedom from despotic bureaucracies. At the essence of our democracy is our right to alter any public institution which fails significantly to deal respectfully and competently with American citizens. I believe the changes this legislation will make will regain the balance that has been lost in the relationship of the taxpayers to the IRS while permitting the IRS to do the difficult job it was created to do. That job is vital to our government's ability to provide the essential services on which virtually every American depends to some extent: Social Security benefits, our armed forces, law enforcement, Medicare and Medicaid, air traffic control, administration of our national parks

and forests, etc. This is a good bill that will help taxpayers and the IRS. I will support its passage and implementation and look forward to its results.

Ms. SNOWE. Mr. President, I rise today to speak in favor of the legislation before the Senate—H.R. 2676, the IRS Restructuring and Reform Act. I believe it is vital that this critically-needed legislation be passed by the Congress and enacted by the President as rapidly as possible.

Mr. President, Congress has been working to reform many aspects of the Federal government and its programs over the past several years, including welfare, Medicare, and telecommunications laws. And now, with April 15—the deadline for filing tax returns—only a few weeks past, I can think of no better time for Congress to continue its reform efforts than with a substantial overhaul of the IRS.

While reforming our tax system is an idea that has been bandied about for years—and will likely continue to be a topic of great interest in the months and years ahead—at the very least we have an obligation in this Congress to address the abuse of our nation's citizens by the agency that is responsible for enforcing federal tax laws: the Internal Revenue Service.

Mr. President, the hearings that were conducted in the Senate Finance Committee over the past nine months have provided a chilling reminder of how government power can run amok. Tax files are used for information on boyfriends of IRS employees. IRS managers are trained that it is permissible to lie or mislead the public. Employees are evaluated on statistics based on seizures of personal property and finances. Some business owners are allowed to make monthly payments on delinquent employment taxes while others are forced into bankruptcy—the decision is arbitrary and up to IRS management. And IRS agents that seek to report improper tactics and practices face demotion or outright replacement.

While I wish that the horror stories told by the Finance Committee witnesses were isolated incidents, the real-life stories I have heard from constituents in Maine only reinforce the fact that these problems are occurring nationwide.

Take for example the family in Lebanon, Maine, who was audited for the year 1993 after they saw their convenience store, home, and all their financial records destroyed by a 1994 fire. While they originally had no problem with the audit and anticipated a relatively brief process, it is now four years later and the IRS has finally just completed the 1993 audit. One can only imagine how long—and at what cost—the 1994 and 1995 audits they are being subjected to will last.

Or consider the story of a sheet metal company employee in Maine who was taking money on the side for jobs—which meant that his employer wasn't being paid for the contracts



that they thought were outstanding. As a result, when it came time for the business to pay their taxes, they didn't have the funds.

Negotiations between the IRS and the company broke down, one thing led to another, and the company was behind to the point where the IRS took everything from the company's bank account. The result: the company was unable to pay its employees, it was seized by the IRS, and it was sold at auction to cover the taxes.

Finally there is the waitress who, over the years, didn't pay all the taxes she should have on the tips she made. She was reported, found guilty, and it was estimated that she owed more than \$100,000 in back taxes, penalties and interest payments. Fair enough, you might say, except for one twist: her husband never had a clue that his wife was cheating the IRS. But he's been paying the price ever since.

He lost his home, his vehicles, and his camp in order to help pay his wife's debt. In the meantime, they divorced—and to this day the wife does not work because, if she did, she would still owe the IRS. Instead, she has remarried and is supported by her new husband, while the ex-husband remains responsible for the debt he never knew a thing about.

Now, I'm not saying that the IRS doesn't do a good job in many—if not most—cases. They have a difficult and unpopular task, and the law must be enforced. The delays, unfair treatment, and—in some cases—improper actions that have occurred with the IRS have undoubtedly been the result of a variety of factors, and the complexity of the tax code only compounds the problems for taxpayers who must interact with the IRS.

In fact, to test the difficulty of the current income tax system, *Money* magazine had 45 different tax accountants prepare a tax return for the same family—and the result was 45 different returns that varied by 160 percent! When considering that there are 555 million words in the tax code, 480 different tax forms, and IRS employees give the wrong answers to taxpayers 30 percent of the time, it's no wonder the experts can't even agree on what a taxpayer owes!

Therefore, although we won't be eliminating the complexity of the tax code today, I am pleased that the Senate is now considering comprehensive reform legislation that will attempt to end the abuse of already confused taxpayers by the IRS, and ensure that the enforcer of the tax law is no longer one of its greatest abusers.

Mr. President, this legislation—which builds on the restructuring bill that was overwhelmingly passed by the House of Representatives this past November—includes a variety of critical reforms that will dramatically improve the oversight and management of the IRS. And, most importantly, the bill will make this agency more accountable to the very individuals they were intended to serve: the American taxpayer.

Specifically, to improve the oversight and administration of the IRS, this legislation will establish an oversight board including the IRS Commissioner and six members from the private sector, which would have broad authority to review and approve strategic plans. In addition, it will establish local taxpayer advocates in every state, and strengthen the internal auditing of the agency.

To create a more level playing field between the IRS and taxpayers, the bill will modify the practice of considering taxpayers guilty until they prove their innocence by shifting the burden of proof to the IRS in cases where the taxpayer is cooperative in providing information. It will also provide for greater taxpayer protection against interest assessments and penalties.

To streamline congressional oversight of the IRS, it provides a means for ensuring that the IRS and Congress are aware of the most complicated aspects of the tax code that are generating the greatest compliance problems for taxpayers, and provide clear accountability to specific committees in the Congress.

To be more responsive to taxpayers, this legislation provides critically needed relief to an "innocent spouse" who has no knowledge of the improper tax filings of his or her husband or wife; ensures that a taxpayer who has entered into an installment agreement to settle an outstanding tax bill will no longer be forced to pay "failure to pay" penalties during the period of repayment—which has never made any sense; and gives taxpayers more time to dispute IRS claims.

And finally, to create a better IRS from the inside out, the bill provides increased flexibility for the IRS to recruit and retain the best agents possible, while establishing new performance measures that ensure agents are not ranked based on enforcement results or collections.

Mr. President, the issue comes down to trust. The people of this nation must be able to trust that their government will be fair, will be discreet, will be responsive. Taxpayers should not fear the very institutions that are supposed to be serving them. We must ensure that government works for people, not against them. We must end the abuses at the IRS.

The bill before us today will help restore taxpayer confidence in the system and rebuild the trust that has been eroded through years of egregious abuse. I commend the chairman of the Finance Committee for crafting and championing this legislation, and I urge my colleagues to join me in supporting it.

Mr. GORTON. Mr. President, like many of my colleagues who have spoken on the floor this week, I rise in strong support of the IRS Restructuring and Reform Act of 1998.

The Senate Finance Committee hearings about IRS agents and supervisors that are completely out-of-control, and

who sometimes try to set up honest taxpayers in order to advance their own careers, has made it absolutely clear to every American that the structure and standard operating procedures of the IRS must be corrected—which is exactly what this comprehensive reform legislation will accomplish.

This bill creates an oversight board consisting of a majority of private sector members to set IRS policy and strategy, and a new independent Inspector General for Tax Administration in the Treasury Department who will be appointed by the President and confirmed by this Senate. The Taxpayer Advocate position, created in the Taxpayer Bill of Rights II in 1996, is expanded into a system of local Taxpayer Advocates that guarantees at least one advocate for each state in the union.

This legislation reverses the burden of proof from the taxpayer to the IRS, and allows for the awarding of attorney's fees and civil damages to taxpayers when they have been wronged by the IRS. Relief is also provided to "innocent spouses" who find themselves liable for taxes incurred by their spouse during a marriage.

Mr. President, this is by no means a comprehensive list of the reforms included in this legislation—it would not be possible to describe them all in the time I have to speak today. It has, in fact, been calculated that there are over 160 reforms to the IRS included in this bill—all with the goal of making the IRS more service oriented and friendly to American taxpayers. It is for the twin goals of IRS structural reform and the protection of innocent taxpayers that I will be voting in favor of this legislation.

Before concluding Mr. President, I must state that while I hail the Senate's consideration and certain passage of this IRS reform legislation, I believe that it only deals with the symptoms and not with the fundamental disease. The fundamental disease is the Internal Revenue Code written by Congress. The current code is so long, so complicated and so full of loopholes that it is literally out-of-control.

To deal with the disease, Congress is going to have to deal with the Code. We must either dramatically simplify it or, and this is my preferred course of action, we must repeal the Code lock, stock and barrel and start all over again. We must develop a tax system that is fair, easy for Americans to understand, requires far less money to enforce so that we can have a dramatically smaller IRS, and requires far less money to comply with in fees paid to lawyers and accountants.

I am absolutely convinced fundamental reform of the Code should be the primary goal of Congress. It is certainly the goal to which I have dedicated and will continue to dedicate my energy and attention.

Mr. BYRD. Mr. President, we have heard much in recent years of the horrors and abuses inflicted by the Internal Revenue Service (IRS) on the

American taxpayer. I have little cause for doubt, Mr. President, that there lies a certain degree of verisimilitude in these allegations and, further, that the pending legislation represents a necessary and overdue effort to ameliorate these abuses. Certainly, a portion of the criticism directed at the IRS has been justly earned by the officials and employees who administer and work at the agency. If but half of the concerns raised during the Finance Committee's recent hearings on these IRS abuses are true, there is indeed an immediate and overwhelming need to reform and restructure the IRS. However, let us remember, Mr. President, that the task to which the Congress has assigned the IRS has never been nor will ever be a popular one. The simple fact that few people enjoy paying taxes leads logically to the presumption that they will not embrace the very agency charged with collecting their taxes.

Having said that, Mr. President, let me now turn my focus to the bill before us. As reported to the Senate by the Finance Committee, H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1998, would significantly alter the management, oversight, and basic structure of the IRS as we know it. By creating an IRS Oversight Board, this legislation aims to provide the strategic oversight and guidance that has been deficient and lacking at the IRS in previous years. As the National Commission on Restructuring the Internal Revenue Service concluded in its report to the Congress last year, the "problems throughout the IRS cannot be solved without focus, consistency and direction from the top. The current structure, which includes Congress, the President, the Department of the Treasury, and the IRS itself, does not allow the IRS to set and maintain consistent long-term strategy and priorities, nor to develop and execute focused plans for improvement."

Clearly, the drafters of H.R. 2676 have sought to provide the very "focus," "consistency," and "direction" that the IRS Commission concluded was necessary. I hope that the nine-member Board, as proposed, will be able to carefully and diligently clear a new path on which the IRS can tread the challenges that the 21st Century will bring as a more responsive, less intrusive federal agency that works for—not against—the millions of honest American taxpayers to whom we are all accountable.

With regard to the composition of this Oversight Board, I voted against two amendments this morning that would have either directly or indirectly removed the union representative from this Board because I believe that such representation is crucial on a Board that will have so much influence in the actual workings of the IRS and the 100,000-odd actual workers who carry out its many tasks. I also opposed an amendment to remove the Treasury Secretary from this Board because I believe that, for any such Board to be

truly taken seriously and command attention, the chief executive officer of the Treasury Department—the Secretary—must be able to offer his or her unique perspective on various IRS issues through a position on the Board. Furthermore, by serving on this Board, the Treasury Secretary will help ensure that the recommendations thus produced are not ignored or disregarded by officials of the IRS.

Mr. President, I also want to convey my support for a number of other provisions of H.R. 2676. Specifically, I applaud the provisions of the bill providing for a National Taxpayer Advocate and an independent Treasury Inspector General for Tax Administration. The former office should help to better protect the interests of individual taxpayers who are often outmatched in their disputes with the IRS, while the latter will ensure that the office with responsibility for overseeing the IRS is independent of the agency itself. I further support the provisions of this legislation calling for increased use of electronic filing in the next ten years—the advent of electric filing technology cannot be ignored as we seek to find ways to make the IRS more responsive to the American taxpayer.

Mr. President, the bill contains many other taxpayer protections that I believe will improve the way the IRS works. However, let me express my concern about a provision in the funding offset amendment agreed to by the Senate yesterday, without my support. Last night, the Joint Committee on Taxation produced calculations predicting that, while this provision will raise approximately \$10 billion in the next ten years and thus protect this bill from a PAYGO point of order, it will lose a net \$47 billion in revenues over the next twenty years. Clearly, this is an attempt to back-load the true cost of a tax provision to circumvent a budgetary point of order, and I hope that it will be dropped in conference negotiations with the House.

Mr. President, my reservations about this particular provision of H.R. 2676 notwithstanding, I am prepared to support Senate passage of this important and much-needed legislation. As the elected officials of the people of the United States, it is our duty to ensure that the IRS—the very agency to which we have delegated authority to implement and enforce our constitutional prerogative to "lay and collect" taxes—does not harass, abuse, or otherwise place unnecessary burdens on the millions of honest, hard-working taxpayers to whom we are each accountable. This legislation, as a whole, represents a positive step in the direction of a more responsive, more accountable, and more efficient Internal Revenue Service that better serves the American people.

Mr. KERREY. Mr. President, I yield the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The Clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERREY. Mr. President, I had an amendment earlier that I had withdrawn that would increase the amount of oversight, or actually create in statute a requirement for annual hearings by the Finance Committee, and I would prefer to merely in a colloquy with the chairman of the Finance Committee get this matter settled without having to put it into law.

I would like to express again my concern and interest in making certain that congressional oversight is increased. I think it is a little bit like preaching to the choir here, asking this particular chairman to do it, but I would like to declare that I think we should be having a yearly hearing hosted by the Senate's Finance Committee with the IRS Commissioner, with the chair of the new oversight board created in this new law, the National Taxpayer Advocate, and the new Treasury Inspector General for Tax Administration; as the four witnesses. The purpose of the hearing would be to review overall progress by the IRS in serving the needs of taxpayers.

I would simply ask as part of this colloquy whether or not the chairman would be willing to hold such a hearing on a yearly basis?

Mr. ROTH. I say to the distinguished Senator from Nebraska that one of my real concerns has been that there has not been adequate oversight of IRS as well as other agencies. That is one of the things that got me moving a year ago, because I think, as the Senator, it is critically important that we assure the agency is functioning as the President and Congress intend it to function. That has not been the case with IRS.

So I can assure the good Senator that it is my intention to have continuing oversight hearings. I think it is important now that we are involved in this massive reorganization opportunity to change culture that we do have at least once a year, if not more often, the kind of hearing the Senator is talking about. We are all very pleased to have this new Commissioner. We think we have an individual with the type of qualifications and background that will really make a major change. At the same time, I think it is our responsibility to continue from time to time to hold hearings to see if progress is being made. So I assure the Senator that as long as I am chairman of the committee we will continue to do so.

Mr. KERREY. I thank the distinguished chairman of the Finance Committee.

Mr. President, I do believe in this kind of oversight where we ask four key people, three of whom are new creations under this law, to come and tell the oversight committee how well this

new law is doing and if there is any additional changes in the law that are necessary.

Again, I appreciate very much the Senator's comments in this regard and will, once again, state my appreciation for the Senator's diligence and perseverance in making certain that IRS does the job the American taxpayers want it to do.

Mr. ROTH. Let me say, as long as the two of us are members of that committee, I am sure it will happen.

Mr. KERREY. I thank the Senator.

Mr. GRAMS addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota.

#### AMENDMENT NO. 2379

(Purpose: To provide interest payment exemption for disaster victims in the Presidentially declared disaster areas)

Mr. GRAMS. Mr. President, I would like to send an amendment to the desk that has been sponsored on our side by Senator COVERDELL and also my colleague from Minnesota, Senator WELLSTONE, and Senator BOXER of California. It is my understanding it has been cleared on both sides. I send the amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Minnesota [Mr. GRAMS], for himself, Mr. COVERDELL, Mr. WELLSTONE, and Mrs. BOXER, proposes an amendment numbered 2379.

Mr. GRAMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place, insert the following new section:

#### **SECTION . ABATEMENT OF INTEREST ON UNDERPAYMENTS BY TAXPAYERS IN PRESIDENTIALLY DECLARED DISASTER AREAS.**

(a) IN GENERAL.—Section 6404 of the Internal Revenue Code of 1986 (relating to abatements) is amended by adding at the end the following:

“(h) ABATEMENT OF INTEREST ON UNDERPAYMENTS BY TAXPAYERS IN PRESIDENTIALLY DECLARED DISASTER AREAS.—

“(1) IN GENERAL.—If the Secretary extends for any period the time for filing income tax returns under section 6081 and the time for paying income tax with respect to such returns under section 6161 for any taxpayer located in a Presidentially declared disaster area, the Secretary shall abate for such period the assessment of any interest prescribed under section 6601 on such income tax.

“(2) PRESIDENTIALLY DECLARED DISASTER AREA.—For purposes of paragraph (1), the term ‘Presidentially declared disaster area’ means, with respect to any taxpayer, any area which the President has determined warrants assistance by the Federal Government under the Disaster Relief and Emergency Assistance Act.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to disasters declared after December 31, 1996, with respect to taxable years beginning after December 31, 1996.

(c) EMERGENCY DESIGNATION.—

(1) For the purposes of section 252(e) of the Balanced Budget and Emergency Deficit

Control Act, Congress designates the provisions of this section as an emergency requirement.

(2) The amendments made by subsections (a) and (b) of this section shall only take effect upon the transmittal by the President to the Congress of a message designating the provisions of subsections (a) and (b) as an emergency requirement pursuant to section 252(e) of the Balanced Budget and Emergency Deficit Control Act.

Mr. GRAMS. Mr. President, I want to say a couple words about the amendment and then also be joined by my colleague from Minnesota, Senator WELLSTONE, on this amendment.

It is very simple. It applies to residents or individuals, or I should say victims who live in disaster areas, those areas that have been declared disaster areas by a Presidential decree, either through flooding or tornadoes or whatever mishap it might be.

The basics of this amendment say that those people who have been granted an extension to file their income taxes, but under current law the IRS must still assess an interest payment on those taxes. This is adding insult to injury. These people who have no opportunity due to no fault of their own to file their taxes on time have been granted an extension period to get their taxes filed in good faith, and yet under current law we come back and say, well, that's fine and dandy, but we now have to assess you an interest on this. These individuals who are trying to rebuild and repair their lives need every dollar. Every dollar counts.

So the basic part of this amendment is very simple. It is that also we would, along with granting them an extension in order to file their income taxes, make an exemption for interest on those tax payments as well. So I hope that the Senate will consider this and give it its full support.

I would like now to defer to my colleague from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. I thank the Chair.

Mr. President, let me ask unanimous consent that Senator CLELAND be also listed as an original cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WELLSTONE. I am pleased to work with Senator GRAMS on this amendment. I thank both the chairman of the committee, Senator ROTH, and Senator KERREY for all of their help. This is very important to people. If you visit people in communities that have been devastated by tornadoes in our State, to be able to have forgiveness of interest on late payment of taxes is extremely important. It seems to be a little thing, but it is real important to people in our State.

It has been a pleasure working with Senator GRAMS on this. I think we have done well. This will help people in our State. We thank all of our colleagues for their assistance.

The PRESIDING OFFICER. Is there further debate on the amendment?

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. Mr. President, this is a good amendment, and I urge its adoption.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I concur and urge its adoption.

The PRESIDING OFFICER. Is there further debate on the amendment? If not, the question is on agreeing to the amendment.

The amendment (No. 2379) was agreed to.

Mr. KERREY. Mr. President, I move to reconsider the vote.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I make a point of order a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DASCHLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DASCHLE. Mr. President, I commend both the chairman and the Democratic manager for their work on this bill over the last couple of days. I commend them for all that they have done. I think we will see a very strong vote as final passage is recorded this afternoon. It is largely to their credit.

I particularly want to commend my colleague Senator KERREY for the tremendous job that he has done over the course of now more than 12 months of work in an effort that has led to the point where we will pass what has been, at times, a very controversial issue. To see the overwhelming vote today is a tribute to him and to the leadership that he showed on the Commission and on the floor, and certainly in the committee.

While I have made no reservations about the difficulty many of us have with regard to the offset, an offset that I hope can be addressed in conference, an offset that will cost the Treasury and U.S. taxpayers some \$46 billion—if it is possible to say “except for that,” I will say: Except for that, this legislation is a major accomplishment that deserves the support on both sides of the aisle.

The other day, I was visiting on the Capitol steps with a group of high school students from Spearfish, SD. When I told them the Senate would vote this week on IRS reform, they actually burst into wild applause. That is not the usual reaction I get when I talk with people back home about what Congress is up to. So, today they will be pleased to learn that their cheers were heard and that we are changing the IRS as we know it.

Fortunately, the students didn't ask about the history of the IRS reform bill, because they already knew from

their studies how a bill is supposed to become law. It might have been difficult to explain why this bill has taken such an unusual route.

We could have and should have passed IRS reform 6 months ago. The House did. They passed it 426 to 4 last November. The IRS reform legislation was the last thing we attempted to pass in the Senate last year and the first bill Democrats tried to pass when we reconvened in January. But in the last 6 months, between the time the House passed the bill and now, 120 million Americans filed tax returns without the benefit of the protections of this bill, 2 million taxpayers received audit notices, many millions more received collection notices, and not one of them had the protections of this bill either. That is unfortunate and, in my view, unnecessary.

But that is behind us. Despite the slow road this bill has traveled, I am glad that we are finally able to vote on it today. So are those high school students from Spearfish, whom I talked to out on the Capitol steps on Tuesday. So are America's 120 million taxpayers.

The bill fundamentally changes the management and operation of the IRS. I will support this bill because it will make the IRS more accountable to, and respectful of, taxpayers. It will help transform the culture of the IRS to make customer service a top priority, the same as it is in the best-run private businesses.

Charles Rossotti, the new IRS Commissioner, has created a plan to do all of that. This bill gives him the tools he needs to carry out that plan and really begin shaking things up within that very troubled agency. This bill creates an outside board of directors for the IRS, who will ensure that the agency adopts practices that restore the balance of power between law-abiding taxpayers and the IRS employees. It explicitly bans the use of tax collection quotas as a tool for evaluating the effectiveness both of individual IRS employees and of whole divisions within the agency. This is a big step in the right direction. From now on, tax auditors will now be judged by the quality of the service they provide, not the quantity of money they collect.

Make no mistake, tax cheaters cheat us all, and the IRS should enforce our laws to the letter. But the sort of heavyhanded tactics that have been used by the IRS against some private citizens and businesses should absolutely never be tolerated. Under this bill, they will not be.

One of the ironies about the 6-month delay is that, while we have more answers about some things, we are now faced with a bigger question that didn't exist back in November. Last year, the Congress made a stand for fiscal responsibility by enacting a plan that would balance the Federal budget for the first time in 30 years. Speeches extolling the virtues of fiscal restraint echoed through this Chamber. And I ask my colleagues, is this bill consist-

ent with the spirit of last year's historic balanced budget agreement? Is it consistent with our commitment to use the budget surplus to save Social Security first? Regrettably, the answer, as I noted a moment ago, is no.

Since this bill left the House, its price tag has more than tripled, and instead of paying for the added costs, the Senate has chosen, as it did so often in the days before the balanced Budget Act, to fudge it. This bill plugs the deficit hole in the first 10 years by creating an even bigger one—an estimated \$46 billion hole in the second 10 years. As if this were not irresponsible enough, it creates that deficit by providing a new tax break that can only be used by people making more than \$100,000 a year.

We know from recent experience how hard it is to balance the budget. We know there is no free lunch. So, who is it that will end up paying for this smoke-and-mirrors gimmick? The 95 percent of Americans making less than \$100,000 a year? That is who, unfortunately, will be left paying that bill—the same people who are depending upon these budget surpluses to preserve their Social Security and Medicare benefits in the next century. This bill was supposed to be about protecting taxpayers, not fleecing them when they are not looking or before they are even born.

I will vote for this bill because the IRS is in dire need of reform. We have kept the new Commissioner waiting long enough for the authority he needs to do the job. More to the point, we have kept the American people waiting long enough for a new and better IRS. But I implore our conferees, don't ignore the funding problem in this bill. Fix it, so that the bill provides protection for taxpayers in the fullest sense of the word.

The American people want us to make the IRS more accountable. This bill will do that. At the same time, we must remember there is another important issue the American people want us to address. That is: What are we going to do to help families earn more money and keep more of the money they earn? That is why those high school students from Spearfish cheered. They assumed that, by passing an IRS reform bill, we are doing something that will improve the financial circumstances of working families. That is what the people in South Dakota and across the country really want Congress to do. If we don't do that, any "bounce" we get from this bill will be very short-lived.

Last year, we agreed on a 5-year plan to balance the Federal budget and at the same time invest in the citizens and the future of this great Nation. We are now in the process of crafting a budget that is the first real test of our ability to live within that agreement. In the coming weeks, as we debate the budget, let us keep our word on education and on child care and on health care. Last year we lightened the tax load on middle-class families by creat-

ing a new \$500 child tax credit and a \$1,500 tax credit for college expenses. In the coming weeks, as we debate the budget, let us further that commitment to tax fairness, not walk away from it.

This year, for the first time in 30 years, we will actually have a balanced Federal budget. In the coming weeks, as we debate the budget, let us remember how hard it has been to eliminate the deficit and what good has come from this fiscal discipline. Let us do nothing that would send us back to where we were 5 years ago, when we were looking at \$300-billion-a-year deficits for as far as the eye could see.

The IRS bill is long overdue, but it is only a start. What the American people also want us to do is, they want us to provide them with some assurance that if they work hard and play by the rules, they will be able to make a decent life for themselves and their families. So let us pass this bill. And, in what little time we have remaining in this Congress, let us work together to keep the commitment we made last year to the issues and the matters and the priorities that really can make a difference in people's lives.

If we do that, the next time one of us is visiting on the steps of the Capitol with some young people from our State, we will be able to tell them something else they can cheer a lot about.

Mr. President, I yield the floor.

The PRESIDING OFFICER (Mr. GRASSLEY). The Senator from Nebraska.

Mr. KERREY. Let me congratulate the Democratic leader for an excellent statement. I couldn't have said it better myself. He is right; we have an excellent piece of legislation here. The law, as we are proposing it, will dramatically improve the kind of service that taxpayers get, make the IRS much more efficient, and give people much more confidence in Government of, by, and for the people. But it does have a funding flaw. I intend to vote for this bill myself. I pledge to do what I can to make certain that we find a correction of that funding flaw.

Mr. President, 177,000 people, according to the Joint Tax Committee, will pay \$50,000.

These are individuals who are 70 years of age or older who make over \$100,000 in mostly retirement income. So they have to have well over \$1 million in liquid assets and earning assets that are producing that kind of income.

What they are going to do is pay \$50,000 per person in order to convert a current IRA that produces taxable income into an IRA that has no taxation on that income. What is very likely to happen is they will have their estates transfer it to their heirs who will not pay tax at all.

These are not people struggling to save money. There is no social benefit you can calculate here. As the distinguished Democratic leader said, it does

provide \$8 billion in the first 3 or 4 years. We are doing it in the second 5, so there is time to correct this problem.

As you get into the outyears, at the very time we are looking at the baby boomers retiring, what we are going to do about Medicare and Social Security, that is going to be the dominant question around here at that particular time. The cost of this program will widen up \$2 billion, \$3 billion, \$4 billion a year. It is one of the things that looks good going in, because it looks cost free, but it certainly is not.

I appreciate very much the distinguished Democratic leader's statement. It is exactly what we need to be worried about as we head towards final passage of this legislation.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER (Mr. COCHRAN). The Senator from Oklahoma.

Mr. NICKLES. Mr. President, I rise today in support of this legislation. I compliment Senator ROTH and Senator MOYNIHAN, for having the most significant oversight hearings that we have had in this Congress, indeed for the last several Congresses. A lot of us have said we need to do better oversight, and we talked about it but we didn't do it. This is the case where the Finance Committee had the first serious oversight of the IRS in our history. It is long overdue, and it uncovered a lot of things. It uncovered ugly examples of Government abuse of power, Government abuse of power which should never have happened, which was exposed, and I believe with this legislation, we are going to help correct it and make sure it doesn't happen again.

I compliment Senator ROTH and Senator MOYNIHAN for those hearings. Those hearings were initially held in September, and then we had follow-up hearings just last month. Each additional set of hearings kept showing abuses that were even more outlandish than the ones before, culminated by the fact that one disgruntled IRS agent actually had tried to set up Senator Howard Baker, and a Congressman and a district attorney. Unbelievable; unbelievable abuse of power. I compliment our colleagues for the oversight hearings.

I also compliment Senator KERREY and Senator GRASSLEY for their work on a commission that helped give us some material to produce good reform. We had the hearings, and we also had legislative oversight and some work done through their commission to produce recommendations for a positive legislative overhaul. I compliment both Senator GRASSLEY and Senator KERREY for their fine work in doing that.

Also, I compliment our colleagues in the House. We had the hearings in the Senate in September, and our colleagues in the House passed IRS reform legislation on November 5. I disagree with my colleagues on the Democratic side who said, "We should have passed

the House bill." Senator ROTH and some of us said we can do better than the House, and I think we have. The House bill was a giant step in the right direction, but we have done a lot more than the House did. The House did not have legislation to deal with innocent spouse issues, which we also had hearings on and which showed a lot of innocent spouses were abused by the IRS system. We are correcting that in this legislation.

We had a hearing in Oklahoma. It was the first IRS field hearing that we have had. It was one I found very interesting. We had Oklahomans who testified about some of the problems they had. As a result of their testimony, we made this legislation better. I will give a couple of examples.

We had Lisa New, who is a young lady from Guthrie, OK, testify. She was a pet groomer. She groomed pets. She was a school bus driver, and she was a single mother. She owed the IRS \$4,000 in 1986. She found out about it and went to the IRS. She said, "I owe you this money. I would like to pay it off \$100 a month." IRS said, "No, we want it all immediately." She couldn't pay it, so the IRS put a lien on her home.

Her debt to the IRS, as of last month, totaled about \$30,000 of interest and penalties on an original \$4,000 debt back in 1986.

In this legislation, we say that penalties and interest will not accrue to the deficiency if the IRS does not notify the taxpayer within 1 year. We also say the IRS will be required to adopt a liberal acceptance policy for offers in compromise. They clearly did not do that in this case. We also say liens would not be allowed if the original tax debt was less than \$5,000. So we make some changes.

We had another case where an individual, whom a lot of people in this room might recognize—he is somewhat of a well-known Olympic athlete coach—Steve Nunn. He was coach of the U.S. Olympic gymnastics team, coach of Shannon Miller, a great all-American coach. He had a problem with the IRS. His business grew a lot, and he was making quarterly payments for payroll taxes. Then his business grew some more. Suddenly, he was supposed to make payroll tax payments monthly. He got a little bit behind. He recognized that. He said he was willing to work it out, and he worked it out with an agent. They signed an agreement that if he makes these payments of so much per month over this period, that would be acceptable.

Then the IRS changed agents. A new agent came in and said, "No, we want to be paid immediately, and if you don't pay up immediately, we're going to put a padlock on your business and put a lien on your business." He was traveling in Europe with the U.S. Olympians and his team, and he had an IRS agent threatening to close down his gymnastics business. It is absolutely absurd. He borrowed the money. He was able to pay it off.

We put in provisions to make sure that would not happen again. We now say that a taxpayer will be given the opportunity of a court hearing before liens, levies or seizures. He is going to have a chance to have a hearing. He is going to have an appeals process. Not a single agent is going to be able to come in and say, "I disagree with you; if you don't pay up by"—such and such a date—"we are going to padlock your business." We protect that taxpayer. We say the IRS can only seize the taxpayer's business or home as a last resort.

Unfortunately, we found out in Oklahoma and Arkansas as a result of our investigation that we had seizure rates in this district about eight times the national average, and we even found that there were incentives for employees to close those cases. "We don't care if you seize the assets, close those cases," and people would receive financial benefits. We stopped that in this legislation.

We also say that notices to taxpayers must include the name and phone number of the IRS contact. They will know somebody to call. They are not going to get the runaround and talk to 15 different agents when they are trying to deal with a case. We have that in this legislation.

None of that, I might add, was in the House bill. None of it was in the House bill. I can mention a couple others.

We had Dr. Jim Highfill of Ponca City testify. He is a dentist. He had IRS agents come into his office and announce that he was under investigation. We put provisions in this bill that says the IRS will be reorganized so that small businesses will only work with IRS employees specializing in small business issues. That will help solve some of these problems.

We also say IRS employees who disclose taxpayer information, such as notices of summons, will be subject to termination. The IRS agents came into his office and said, "We've got a summons for this dentist," in front of his patients to embarrass him, to intimidate him. We now make those agents subject to termination.

We found abuse after abuse, and we found IRS agents were not terminated. I will mention that most of the 102,000 IRS agents and employees are outstanding civil servants, but some have abused their power, and they should be terminated for that abuse of power. In almost every case we listened to, they were not terminated.

We also say that advice from a CPA to a taxpayer will be privileged the same as advice from a tax attorney. I could go on.

We put a lot of provisions in the Senate bill that were not in the House bill. We made it better. I wouldn't say it is perfect, but I think it is a lot better. There was a reason for the Senate to be a little more deliberate. It was the Senate that had the initial hearings. The House marked up the bill, and, again, my compliments to the House. Sometimes they do things a little more

quickly, but sometimes we do them a little bit better.

This is a more thorough bill. This is a bill that has been researched better. We are solving more problems for taxpayers in this bill.

Finally, at the hearings that we had in the last couple of weeks, we heard different cases. In Texas, there was a business that had 32 employees, and 64 IRS agents raided the business. Their intent was to intimidate and abuse their power.

Or the case in Virginia Beach where an individual had a restaurant, a dozen or so IRS agents broke into his restaurant, his home, and his partner's home, broke his door down. They certainly abused their power. Agents who abuse their power should be terminated.

Or for example the investigation of Senator Baker and others, that was certainly abuse power. Those people who supervised that IRS agent are also responsible, not just the bad apple in this case. He was eventually terminated because he was arrested for having cocaine in his car, not for the abuse of the investigation of a Senator, a Congressman, and a district attorney.

So not only should he have been disciplined, but his supervisor who did not corral him, after some very honest and good employees said, "Wait a minute; this investigation is going too far," and tried to stop it. Their supervisors did not discipline the person who was responsible. They should have been terminated. They should have felt the penalties for not reining in the IRS.

The IRS has been out of control. In many, many cases they abuse their power. So this bill is going to try to rein in the IRS, make the IRS more accountable to taxpayers, make sure that they understand the "S" in "Internal Revenue Service" stands for "service," that they are servants, that they work for the people, not the other way around, and that the people who are God-fearing and are willing to pay their taxes have nothing to fear of the IRS. They may have some disputes because of the complexity of the law, but if they are willing to pay their fair share of taxes, they are not trying to cheat the system, they should not fear the IRS gestapo-type tactics that we have heard about in recent weeks.

So I again want to compliment Senator ROTH and Senator MOYNIHAN, Senator GRASSLEY, Senator KERREY, and other people, who have worked to put together, I think, a very good bill, a positive bill, one that will be of real benefit to taxpayers and one that we can say, yes, we have done something positive, and we have worked together to make it happen.

I am pleased that now the President is supporting this bill. I might mention—I look at a statement from the Washington Post dated October 1, 1997. It says: President Clinton opposes legislative reform of the IRS saying, "I believe the IRS is functioning better today than it was 5 years ago."

He was speaking in reference to the Republican reform proposals. "We should not politicize it and we should not do anything that will in any way call into question whether it is even-handed or fair in the future."

Originally, President Clinton was against this bill. Originally, Secretary Rubin was against this bill. I am glad they decided they would support the House bill. I am glad they have decided they would support the Senate bill. Both are good pieces of legislation. Both need to pass. Both need to become law.

Mr. President, again, I thank the sponsors and look forward to this becoming the law of the land. I yield the floor.

Mr. DODD addressed the Chair.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. I gather we are waiting for one of our additional colleagues to complete one more item on this bill. I want to take the opportunity, if I can, to join my colleague from Oklahoma in commending the chairman of the committee—I see him now entering the Chamber here—and Senator ROTH, Senator MOYNIHAN, Senator KERREY, Senator GRASSLEY, and others from the Finance Committee who have been involved in producing this piece of legislation. I think this is going to carry overwhelmingly, maybe even unanimously. That is something we do not do that often around here. And that is a tribute to what I think more Americans want to see, and that is a sense of bipartisanship on issues like this.

This could have become highly controversial. But the fact that there has been such comity between the majority and minority I think has allowed us to produce the kind of legislation that we will be voting on shortly.

I am going to in a minute ask for the attention of the chairman of the Finance Committee because I want to raise an issue. And I will raise it and talk a little bit about it. Maybe he is going to go through his notes a little bit.

As our colleagues are aware, Senator BENNETT of Utah and I are chair and vice chair of this new special committee on the year 2000 problem, Mr. President. This is to deal with the computer glitch that now has received widespread publicity over the last number of weeks and is an issue that some raised several years ago in this country warning us of the problem we would face if we did not take care of the problems where on January 1, 2000, computer programs, instead of reading, "January 1, 2000," would read, "January 1, 00," and that would be computed by many to be "1900," not "2000."

It has been estimated that costs nationally and internationally could run anywhere from \$300 billion to close to \$2 trillion for this fix. Bob Rubin, the Secretary of the Treasury, has indicated that the fix at that Department alone, excluding, I believe, the Internal Revenue Service costs, is \$1.4 billion

just to become compliant with the year 2000 problem by September of next year, which is when the systems ought to be on line to be tested for 2 or 3 months before January 1, 2000, occurs.

There is an issue here that I believe the committee has tried to resolve. And my colleague from Nebraska, I know, is involved in this. And Senator MOYNIHAN, certainly, who is a member of our special committee, has also been involved in this. And that is so we don't find our reform efforts here running into the date problem of January 1, 2000. I would argue that that all of the problems consumers could face if the IRS were not compliant by January 1, 2000 are just as critical in many ways as the problems we are addressing today. That effort has been made in this bill to try to make sure that does not happen. And I gather further from talking with Senator BENNETT of Utah that provisions would be included that would allow for the Joint Taxation Committee to analyze what we are doing and that if, through the good efforts of the committee, it does not quite meet the needs, in conference we may have to move some dates a little bit.

I am not sure I am stating this very well at all. And I see the distinguished—either one of my two colleagues might want to respond, Mr. President.

Mr. KERREY. If the Senator would yield for a statement.

The Senator is exactly right. There is a tremendous problem with this Y2K issue, and that is going to be felt by taxpayers who are not going to get returns. They are not going to get refunds and not going to be able to deal with the IRS because the computers are not going to be able to function unless the Y2K problem is solved. And there is no margin for error; you cannot have it 99 percent, you have to have it 100 percent, or there will be far greater problems with the IRS than anything our oversight hearings and the Restructuring Commission hearings have identified.

I call to the Senator's attention—in fact, I think I should read it into the RECORD. Mr. Rossotti has, by the way, sent the Finance Committee a letter. Senator MOYNIHAN has an amendment that instructs us to delay some of the implementation, and I believe he is going to offer it later, and I think we have agreed to accept that amendment. I am not sure that solves the problem entirely. We have to talk to Mr. Rossotti about it. But let me read to the Senator what Mr. Rossotti said today, the IRS Commissioner said today, to the Ways and Means Committee. He said:

Finally, the Administration has serious concerns of the IRS restructuring legislation that require changes to IRS computer systems in 1998 and 1999. Mandating these changes according to schedule currently in the bill would make it virtually impossible for the IRS to ensure that its computer systems are Year 2000 compliant by January 1, 2000, and would create a genuine risk of a

catastrophic failure of the Nation's tax collection system in the year 2000.

Mr. President, I say to the Senator from Connecticut, my hope is that the changes that we are going to make in a few minutes, that Senator MOYNIHAN and Senator ROTH and you and Senator BENNETT have called to our attention, I hope that gets the job done.

I think in conference we are going to have to listen to Commissioner Rossotti very, very carefully, because there is no question, if we do not get this thing fixed right, the problems that will be created by not being Y2K compliant will be much, much greater than any of the problems we currently have with the IRS.

Mr. DODD. I thank immensely my colleague from Nebraska for his comments. I do not know if I phrased this in the form of a question—sort of a statement I have made about my concerns about this.

I know the Senator from Delaware, Mr. President, shares these concerns. And he has been working with Senator MOYNIHAN, his ranking Democrat on this committee, to try to address this. And maybe he would care to comment as well as to where we stand with this.

Mr. ROTH. I think, I say to the distinguished Senator, that we are all very concerned about this problem of the year 2000. We must solve it. We have no alternative. We have no choice. So we are all going to work to accomplish that.

At the same time, it is critically important that we move ahead, bringing about the kind of reforms we have been debating and talking about this week. Neither one has to take a back seat. We want to move forward together. I assure you that we have been working with Senator MOYNIHAN, with Commissioner Rossotti, as well as Joint Taxation. And Senator MOYNIHAN will be offering an amendment that will address some of the concerns you are raising.

This is going to be an ongoing process. As time moves on, we may have to adjust, because we are going to make certain, as the committee with oversight responsibility, that this agency meets its obligations.

Mr. DODD. Mr. President, I thank my colleague and distinguished chairman of the committee for that point. I say we have just begun this special committee's work. We have not even had our first meetings yet. This body only authorized the expenditure of funds for this committee a few weeks ago. And there are seven of our colleagues, seven of us, who will serve on this select committee—four members from the majority and three from the minority, with Senator BENNETT of Utah chairing the effort.

We think it is an important issue that must be resolved. This committee obviously has to go forward with its reform package. And I just wanted to make sure we are on record here as saying this is a very critical issue, as the Senator from Nebraska has pointed

out. This is one where you can't say we will fix it the second week in January or we will fix it in February of the year 2000. The IRS will have to be compliant and the Treasury will have to be compliant or we will have a huge mess on our hands.

#### AMENDMENT NO. 2380

(Purpose: To provide effective dates which allow the Internal Revenue Service to implement changes to the tax code and to meet the year 2000 computer conversion deadline)

Mr. DODD. Mr. President, if it is appropriate, I send an amendment to the desk to be offered by Senator MOYNIHAN, and I will send it on his behalf. Senator KERREY and I leave it open for others. Maybe Senator ROTH and Senator BENNETT may want to be part of it. I ask for its immediate consideration.

The PRESIDING OFFICER (Mr. ABRAHAM). The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Connecticut [Mr. DODD], for Mr. MOYNIHAN, for himself, Mr. ROTH, Mr. BENNETT, Mr. KERREY, and Mr. DODD, proposes an amendment numbered 2380.

Mr. DODD. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 308, line 12, insert "the 2nd and succeeding" before "calendar quarters".

On page 309, lines 7 and 8, strike "the date of the enactment of this Act" and insert "December 31, 1999".

On page 343, line 24, insert:

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act, except for automated collection system actions initiated before January 1, 2000.

On page 345, lines 6 and 7, strike "the date of the enactment of this Act" and insert "December 31, 1999".

On page 351, lines 13 and 14, strike "the date of the enactment of this Act" and insert "December 31, 1999".

On page 357, lines 6 and 7, strike "the date of the enactment of this Act" and insert "December 31, 1999".

On page 357, lines 9 and 10, strike "the date of the enactment of this Act" and insert "December 31, 1999".

On page 357, lines 16 and 17, and insert:

(B) December 31, 1999.

On page 362, lines 12 and 13, strike "the 60th day after the date of the enactment of this Act" and insert "December 31, 1999".

On page 382, line 2, strike "60 days after the date of the enactment of this Act" and insert "January 1, 2000".

On page 383, line 14, insert ", except that the removal of any designation under subsection (a)(2)(A) shall not be required to begin before January 1, 1999" after "Act".

Mr. DODD. Mr. President, the distinguished majority and minority have worked on this over the last number of days. I will let them speak for themselves as to their endorsement of it.

I appreciate the chairman's efforts in this regard. I am heartened by his comments that we will have to watch this, our little committee will, and we will keep the Finance Committee well informed. If we discover something, we

will let you know very promptly if some other remedial legislative action may be necessary for us to respond to this issue. This will be true of other committees, as well, I say. This is a tremendously serious issue.

I see my colleague from Georgia has arrived on the floor, and I know Members want to move along. I am deeply grateful to the chairman and to the ranking minority member and to others for allowing us to offer this amendment. We think it will solve the problem raised here, that will minimize the dangers to the Treasury Department and the IRS noncompliance as we push reforms forward and find a crashing of the system, which, as the Senator from Nebraska has pointed out, would be, frankly, far more injurious than any of the problems we presently have. As bad as the current problems are, a total system crash would be an equally serious problem.

I will also offer some overall remarks about the bill, which the distinguished manager and others have presented with us this afternoon. I intend to support it, and I thank them for their efforts. As soon as I have concluded those remarks, I will yield the floor and allow the distinguished chairman and ranking member here, and others, to offer whatever comments they want on this amendment and thank them.

Mr. President, I commend my colleagues on the Senate Finance Committee, especially Chairman ROTH, Senator MOYNIHAN, and Senator KERREY of Nebraska for bringing this bill to the floor. It takes an important step forward in the effort to protect the rights of our nation's taxpayers.

The IRS is an agency under widespread, deeply felt, and entirely justified criticism. In my view, the bill before us today is perhaps one of the most critical the Senate will vote on this session.

It is no secret that the IRS has come under fire lately from taxpayers who, in their dealings with the agency, have experienced anger, frustration, and despair.

The hearings conducted by the Senate Finance Committee have highlighted some of the problems at the IRS, including shoddy management, poor taxpayer service, and in some cases, reports of taxpayer abuse by IRS employees.

No one likes to pay taxes, but taxes are a fact of life in a civilized society. Most Americans accept that fact.

What really gets people, however, is when personnel at the agency that collects their taxes treats them with disrespect and carelessness.

No one deserves such treatment.

I have heard from many Connecticut constituents about what they feel is unhelpful, unreasonable, and sometimes downright unpleasant treatment by officers of the IRS.

I've heard stories from them about calls that aren't answered, and about calls that are bounced from one person to the next, so that they never find a



real answer to their questions, or receive any type of guidance or support.

I've heard about the nightmare of the IRS losing taxpayer's checks, and then charging them interest and penalties on the very funds that the agency lost.

The list goes on and on, Mr. President, and the more people you talk to, the more nightmares you hear.

Every citizen who pays taxes has a right to be treated fairly, and treated as innocent until proven liable for failing to meet their legal responsibilities. Although we have taken several steps in this regard in the last few years, there is still more that can be done, and that is why I support the bill before us today.

This legislation aims to transform this agency into an institution that provides efficient and fair service, yet still has the ability to effectively collect revenues.

The bill includes a number of important provisions to help America's taxpayers.

First, the legislation would shift the burden of proof away from the taxpayer, and expand the ability of taxpayers to recover costs and litigation fees. These provisions will help ensure that the IRS exercises appropriate caution and consideration prior to commencing enforcement action against any taxpayer. For too long we've seen a "shoot now, ask questions later" approach to enforcement by the IRS. These provisions are designed to see that the agency does its homework before taking any action.

Secondly, it would establish a new IRS Oversight Board made up of six members from the private sector, the IRS Commissioner, the Secretary of the Treasury, and a member from an employee organization that represents a substantial number of IRS employees. This board would, among other things, review the operations of the IRS to ensure that our nation's taxpayers are properly treated.

Third, this bill would establish the position of the National Taxpayer Advocate who would have a background in customer service and tax law, as well as experience representing individual taxpayers to further ensure that taxpayers are treated fairly and that their rights are not violated. In addition, the bill would create a system of local taxpayer advocates thereby making the IRS more accessible and responsive to taxpayers on a local level.

Fourth, this legislation would provide so-called innocent spouses with a measure of relief by allowing taxpayers to elect to limit their liability to the tax attributable to their income only. I'm sure that many of my colleagues have heard stories similar to those I've heard in Connecticut, about people who have become financially wiped out when they find themselves liable for taxes, interest, and penalties because of actions by their spouse of which they were unaware. The innocent spouse provisions would help prevent such scenarios from occurring in the future.

Fifth, this bill would require the IRS to provide taxpayers with better information regarding taxpayer rights, potential liabilities when filing joint returns, and the appeals and collections process, and would extend the attorney-client privilege confidentiality to any individual authorized to practice before the IRS, including certified public accountants, and enrolled agents and actuaries.

This legislation also includes a number of provisions designed to give the IRS Commissioner flexibility to make structural and personnel decisions in order to attract expertise from the private sector, redesign its salary and incentive structures to reward employees who meet objectives, and hold non-performing employees accountable. Furthermore, it requires the IRS to terminate employees for certain proven violations, chief of which are actions that mistreat taxpayers.

Finally, while this bill gives a degree of flexibility to the IRS to make reforms internally, it also makes sure that there remains a measure of Congressional accountability by requiring the IRS Commissioner to report annually to Congress.

Obviously, Mr. President, the IRS is in need of dire reform and we must hold it to the highest standards of efficiency and competence.

And, while I acknowledge and applaud the good work Commissioner Rossotti has already put forth to turn this agency around, it is clear that there is much left to be done.

The legislation before us today, which enjoys broad, bipartisan support, is a tremendous step forward in our effort to protect the rights of our nation's taxpayers, and we owe it to them to pass this bill favorably. I urge my colleagues to join me in supporting the IRS Restructuring and Reform Act of 1998.

Mr. MOYNIHAN. Mr. President, January 1, 2000 is just over 600 days away. The century date change, or Y2K for short, is a matter of large and serious consequence. In testimony before the Senate Commerce, Committee, Federal Reserve Board Governor Edward Kelley Jr. estimated that U.S. businesses will spend at least \$50 billion on Y2K conversion, with the worldwide repair cost potentially exceeding \$300 billion.

The century date change is also an issue of surpassing difficulty for the Internal Revenue Service. IRS Commissioner Charles Rossotti recently stated in a USA Today interview:

The most compelling thing by far is fixing the computers so they don't stop working on Jan. 1, 2000. . . . If we don't fix (them), there will be 90 million people 21 months from now who won't get refunds. The whole financial system of the United States will come to a halt. It's very serious. It not only could happen, it will happen if we don't fix it right.

In testimony before the Finance Committee last year, Linda Willis of the General Accounting Office suggested that "the IRS [may be] the largest civilian year 2000 conversion, at

least in the country, and possibly in the world." She also testified that the Y2K problem could be "catastrophic" if not addressed.

The century date change is the highest technology priority at the IRS; more than 550 employees are at work on Y2K conversion-related activities. The IRS will spend approximately \$1 billion to become Y2K compliant.

Unfortunately, the IRS has begun to experience complications in its Y2K conversion efforts. On January 23, the Associated Press reported that "about 1,000 taxpayers who were current in their tax installment agreements were suddenly declared in default," caused by "an attempt to fix a Year 2000 issue in one of the IRS computers."

In addition, last year's Taxpayer Relief Act included hundreds of changes in the tax laws, requiring diversions of scarce IRS computer programming resources and causing a 3 month delay in the Agency's Y2K efforts.

The Y2K problem is more complex than it may seem. The IRS computers are outdated; the reprogramming must be done in obsolete computer languages that are no longer taught in schools.

Mr. President, it was with these challenges in mind that Senator KERREY and I offered this amendment to briefly delay some of the effective dates in the Finance Committee's IRS Restructuring legislation in order to allow time for the Y2K conversion to be completed. This amendment has been drafted based on Commissioner Rossotti's recommendations, and has been modified after consultations with the Majority.

The amendment would delay the effective date on a list of provisions from date of enactment until after the century date change.

Regrettably, we were unable to reach agreement with the majority on additional effective date delays that Commissioner Rossotti has recommended. I fear we will come to regret this.

Mr. President I hope that in conference we will examine these effective dates again, and that we will agree to change those that risk interfering with Commissioner Rossotti's Y2K conversion program. I thank the chair and yield the floor.

Mr. ROTH. Mr. President, I rise in order to accept this amendment—which deals with the effective dates of many of the provisions in the IRS Restructuring Bill.

As I have stated before, this legislation has three main purposes—first, to reorganize, restructure, and re-equip the IRS to make it more customer friendly in its tax-collecting mission; second, to protect taxpayers from abusive practices and procedures of the IRS. And third, to deal with the management problem and misconduct of some IRS employees.

In order to accomplish these goals—to bring about fundamental reform, we are enacting numerous provisions. Some of those provisions will require the IRS to undergo significant reprogramming of its systems; some of

them can be accomplished with little burden.

I recognize that the IRS needs to continue to function at the same time that it makes these important changes. The IRS also needs to deal with massive computer reprogramming brought about by the century date change—the so called “year 2000 problem.”

It is not my intention to impose unreasonable effective dates on the IRS. At the same time, I recognize that sometimes we need to push the IRS, to prompt it to make changes. We should not simply defer to their assessment that they will be unable to accomplish the goals we have set.

On April 23, Commissioner Rossotti expressed his concern that the effective dates in our bill could severely impact the ability of the IRS to deal with the year 2000 computer problem. I understood his position.

Nevertheless, I believed then, and I believe now, that justice delayed is justice denied. Many of the reforms in our bill are long overdue. Taxpayers have already been waiting for them for a long time. Innocent spouses should not have to wait any longer for relief. Taxpayers in installment agreements should not have to wait any longer for reduction of their failure to pay penalty. Taxpayers subject to IRS audits should not have to wait any longer for the IRS to complete its business.

To find a middle ground, I asked the staff of the Joint Committee on Taxation to meet with representatives of the IRS in order to discuss the impact of the effective dates. Joint Tax did so, and on Tuesday, May 5, they provided Senator MOYNIHAN and me with their recommendations.

Joint Tax recommended that many of the effective dates remain the same, but that some others be delayed.

This amendment adopts most of the recommendations made by Joint Tax. Specifically, the amendment does not delay the effective date for the major taxpayer protections in the bill.

The amendment does not delay innocent spouse relief—in other words, as of the date of enactment of this bill, innocent spouses will no longer suffer under the burden of paying for their spouse's tax fraud.

The amendment also does not delay due process for taxpayers—meaning that among other things, taxpayers will receive rights of appeal and rights of notice before their property is seized. These are fundamental rights that we should get to taxpayers as soon as possible.

The amendment also does not delay what we have referred to as the one year rule. This means that effective next tax year—1998—taxpayers will know that the IRS has one year to tell them whether they owe any additional tax. If the IRS is delinquent, all interest and penalties on that additional tax will be suspended until the IRS gets its act together and notifies the taxpayer of the deficiency.

The amendment also does not delay what we refer to as cascading pen-

alties. That means that taxpayers can designate which period their deposits are applied to, and can avoid the situation where a taxpayer is making payments, but nevertheless, accruing penalties even faster.

I have said already, these reforms are long overdue. Our guiding principle should be rapid relief for American taxpayers—for the individuals who have suffered long enough because of the practices and procedures of the IRS. This bill is all about taxpayer protections. We should deliver those protections to taxpayers as soon as possible.

I note that President Clinton recently stated that these reforms should be enacted as soon as possible. I assume that he did not mean that the law should go into effect two years from now.

Mr. President, this bill is also about changing the culture of the IRS. Under Chairman Rossotti's leadership, that had already begun. We expect that to continue. The fact that we are accommodating some of the IRS' requests and delaying certain effective dates should not be taken as a sign that we are not serious about reforming the agency. On that subject, let there be no mistake. This bill will bring about fundamental change at an agency that is in dire need of such change. We expect the IRS to improve its service—to change its culture—to be more responsive to taxpayers—at the same time that it implements its system changes.

For those reasons, Mr. President, I will accept this amendment.

Mr. DODD. I have been informed by my colleague from Utah, Senator BENNETT, chairman of the select committee of the year 2000 problem, would like to be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERREY. Mr. President, the amendment is acceptable on this side. It was Senator MOYNIHAN's amendment initially. I urge its adoption.

Mr. ROTH. Mr. President, I urge the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (No. 2380) was agreed to.

Mr. DODD. I move to reconsider the vote.

Mr. KERREY. I move to lay it on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. I ask unanimous consent when Senator COVERDELL offers an amendment regarding random audits, there be 15 minutes equally divided for debate on the amendment. I further ask unanimous consent following the expiration or yielding back of time, the Senate proceed to vote on or in relation to that Coverdell amendment. Further, that no amendments be in order to the Coverdell amendment prior to the vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. COCHRAN. Mr. President, reserving the right to object, does this proposal preclude the consideration of any further amendments before third reading?

Mr. ROTH. Senator COLLINS has an amendment.

Mr. COCHRAN. I withdraw my reservation.

Mr. KERREY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERREY. I do not object to the unanimous consent request of the Senator from Delaware, Mr. ROTH.

The PRESIDING OFFICER. Is there objection to the unanimous consent request?

Without objection, it is so ordered.

The Senator from Georgia is recognized.

#### AMENDMENT NO. 2353

(Purpose: To amend the Internal Revenue Code of 1986 to prohibit the use of random audits, and for other purposes)

Mr. COVERDELL. I call up amendment 2353, which I believe is at the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Georgia [Mr. COVERDELL], for himself, Mr. COCHRAN, Mr. FRIST and Mr. HAGEL, proposes an amendment numbered 2353.

Mr. COVERDELL. Mr. President, I ask unanimous consent reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 342, after line 24, add:

#### SEC. 3418. PROHIBITION OF RANDOM AUDITS.

(a) IN GENERAL.—Section 7602 (relating to examination of books and witnesses), as amended by section 3417, is amended by adding at the end the following new subsection:

(f) LIMITATIONS OF AUTHORITY TO EXAMINE.—

“(1) IDENTIFICATION OF PURPOSE AND BASIS FOR EXAMINATION REQUIRED.—In taking any action under subsection (a), the Secretary shall identify in plain language the purpose and the basis for initiating an examination in any notice of such an examination to any person described in subsection (a).

“(2) RANDOM AUDITS PROHIBITED.—The Secretary shall not base, in whole or in part, the initiation of an examination of a return under subsection (a) on the use of a statistically random return selection technique from a population or subpopulation.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to examinations initiated after April 29, 1998.

Mr. COVERDELL. Mr. President, I am going to be brief. This amendment is designed to end random audits. The IRS said they did not do them. I was suspicious. GAO says they do.

The GAO tell us 95 percent of the random audits today are focused on poor

people, and there are a disproportionate number of them in the South and in my State. I don't believe it is the American way to have random audits. There is nothing in the return that suggests anything wrong and yet, bang, you spin a roulette wheel and out you come and they are in your face. It is unconscionable that they are in the face of poor people who are least equipped to deal with it.

The GAO says to end these random audits would deny the Federal Government a precious \$2.8 million. Late this afternoon, the Joint Tax Committee has said it would cause revenues of \$1 billion a year.

This is why people are so upset with this city, the gamesmanship that has to be played in order to correct something that is absolutely wrong. The rules are working against me tonight but I will be back. This GAO report shows conclusively that something needs to be done. We will have our vote tonight. In deference to everybody's time, I won't belabor it.

I believe the Senator from Mississippi would like to speak on this from our time, and I yield to the Senator from Mississippi.

Mr. COCHRAN. Mr. President, when the distinguished Senator from Georgia brought this problem up and I had a chance to look at some of the information, the GAO audit showed there are 3,000 audits of this kind performed each year. Of those audits, the report showed that 47 percent of them took place in Southern States.

I looked further and saw that the GAO found that there were more random audits that took place in my State of Mississippi than in all of the States of New England combined. I couldn't believe that. I wondered why on Earth is that and then we find out that it is the working poor who are being targeted by these random audits.

The numbers are just startling. Between 1994 and 1996, 94 percent of random audits were performed on individual taxpayers who earned less than \$25,000 per year. If you think about that, these are people who probably don't normally retain a lawyer or maybe even a CPA or other tax advisor in the preparation of their audits.

So what the amendment would do, which I cosponsor with the Senator from Georgia, is to require the IRS to give notice of why they are conducting an audit of taxpayers like this. It raises a question of just obvious unfairness. On its face, it is unfair and it ought to be changed.

Mr. KERREY. Mr. President, I think the distinguished Senators from Georgia and Mississippi have identified a problem, a dilemma we all face from time to time. We sometimes get a score back from Joint Tax that seems much higher than is logical, and that is what happened in this case. So there will be a point of order that will have to be urged against this amendment as a consequence of violating the pay-go provisions of the Budget Act, section 202.

I regret that because I believe the Senators from Georgia and Mississippi have identified a legitimate problem. I am frustrated myself in not being able to deal with it in a more orderly fashion. It is something the Finance Committee needs to take up and hold hearings on, ask the IRS to come and tell us what they are doing in this case.

It seems to me that both the Senator from Georgia and the Senator from Mississippi have identified a problem, and it is very difficult to defend the IRS behavior in this case. I appreciate them bringing it to our attention. I regret that you find yourselves, as many of us have before, in the situation where you get a score back from the Joint Tax Committee that seems, to say the least, a bit higher and that provokes, as a consequence, a point of order.

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. LOTT. Mr. President, I had not intended to speak on this amendment, but I did want to speak in wrap-up on the bill itself, and also to notify the Members of what the schedule would be. This seems like a good time to do all of them because I have been inspired to want to speak on this amendment.

I want to associate myself with the remarks of the Senator from Georgia, and especially my colleague from Mississippi. This is totally outrageous that this kind of random audit is going on, and the people who are getting the brunt of it are the people at the low end of the scale, from a poor State like my own State of Mississippi.

As a matter of fact, I believe we first got the inkling that this was going on at hearings last fall when we had hearings in the Finance Committee, because I remember being struck by the fact that States like Mississippi and Idaho were the ones that had a disproportionate share of these random audits.

I think a great job has been done on this bill, and there has been bipartisan input. But this is an unfairness that cannot be allowed to go on. I am going to support this amendment. I realize it is going to be difficult, under the circumstances. But I plead now with the chairman and the ranking member to get into this because we cannot allow this to continue. It is just another example of the type of thing going on at the IRS that I think Senators and the American people, frankly, as a group, have been shocked to learn from the hearings that we had, and as we are finding out more information. I commend the Senator for his amendment. I call upon the committee to do more on this and to work to make sure the IRS stops this kind of conduct.

ORDER OF PROCEDURE

Mr. President, for the information of all Senators, so they will have a feel for what is going to be happening in the next few minutes, I believe this will be the last vote on an amendment.

Shortly, we will be going to final passage on the IRS restructuring and reform bill—hopefully, within the next few minutes. That will be the last vote of the day when we get to final passage. The Senate will be in session tomorrow for morning business speeches, confirmation of some Executive Calendar nominations, and the entering into of several time agreements with respect to energy legislation. However, no votes will occur during Friday's session of the Senate.

On Monday, May 11, the Senate will consider a conference report, along with, hopefully, at least three of the so-called high-tech bills. We are working through the process now to clear those. The three we are looking at on Monday are the S. 1618, an antislamm bill; S. 1260, a uniform standards bill; S. 1723, skilled workers legislation. The Senator in the Chair has been encouraging that. We are "hotlining" to get those clear.

However, because of a particular problem with one of our Senators who has had a death in the family, we will not have any recorded votes during Monday's session of the Senate. But there will be business on probably at least four major items. The Senate will also begin consideration of Calendar No. 345, S. 1873, the missile defense bill, which will be offered by the Senator from Mississippi, Senator COCHRAN.

On Tuesday, the Senate will attempt to reach a time agreement on the D'Amato bill regarding in-patient health care for breast cancer, and resume and complete action on any of the high-tech bills not completed on Monday. Any votes ordered Monday will be postponed, to occur on Tuesday, May 12, at approximately noon. The latter part of next week, we expect to call up the DOD authorization bill.

I want to thank my colleagues for their cooperation in lining up this schedule. Senator DASCHLE has been very helpful. Also, I thank our colleagues for the cooperation they have given us on the important legislation that is before us. I thank Senator ROTH for his determined leadership on this very important effort of reform and restructuring of the IRS. Others were prepared to rush to judgment, but he said, no, there is more to be done, there is more to know and more work that we need to do on this important legislation. He persisted and he was right. We have learned more and we have a better bill. I appreciate the cooperation of Senator MOYNIHAN. Senator KERREY has been very much involved, and I am glad that we have reached a conclusion. The American people expect this. There is no issue now. I find, when I go to my State, or others, nothing gets people more upset than what they have experienced in dealing with the IRS.

Do they have an important job to do? Yes. Are there a lot of IRS agents who do good work and don't like the intimidation and threats and coverups going on there because of the misconduct?

Yes, there are good people there. But we have to stop the culture of intimidation, and we have to shift the burden to the IRS, away from the taxpayer. We have to stop some of the payments that they are having thrust upon them. We have to stop a system that protects workers at IRS that misbehave.

I think this bill will be a major step in that direction. It may not be enough. This may be just the third in the Taxpayer Bill of Rights. There may have to be a fourth and a fifth. But the Senate, the Congress cannot let up. So I am pleased that we are going to bring this to a conclusion this afternoon. I thank all the Senators who have been involved in this effort.

I yield the floor.

Mr. KERREY. Mr. President, does the Senator from Georgia have any final statements?

Mr. COVERDELL. No.

Mr. KERREY. According to the Joint Tax, as a consequence of the broad nature of the prohibition of random audits, I believe this may end up being the language:

The Secretary shall not use, in whole or in part, in the initiation and examination of a return, under subsection (a), the use of a statistically random selection technique for the population of subpopulation.

Random audits can work. In this case, the Senator from Georgia and the Senator from Mississippi have identified a problem with random audits, and the problem is, if you throw them all out, it is a big cost—Joint Tax says a billion dollars a year. So when all time is yielded back, I am prepared to make a point of order against the amendment.

Mr. COVERDELL. Mr. President, let me simply say that the incongruity cannot be more clear that the agency says it doesn't do random audits; yet, if they are prohibited, it would cost a billion dollars a year. We have a problem we have to iron out here. As I said, GAO said it is \$2.8 million. In deference to everybody's schedule here, I am prepared to respond to the motion from the Senator from Nebraska.

Mr. KERREY. Mr. President, to be clear, so Members understand, the IRS uses random audits for noncompliant taxpayers. We heard this problem a bit as well during the National Commission on Restructuring. A lot has to do with the ITC, and the effort we have had underway for several years is appropriate. But the effort that we have had to go after fraud under the ITC is producing a tremendous amount of problems. We regard noncompliance to be noncompliance, whether it is high income, middle income, or low income. If you have a noncompliant person in ITC, you are doing a random audit. So I believe that may be the problem.

Again, I pledge to the Senators from Georgia and Mississippi that this is something our committee needs to follow up on. It needs to follow up and find out what the details are. As I said, I regret that at some point, when time is yielded back, I will make a budget point of order.

Mr. COVERDELL. I yield back all time.

Mr. KERREY. Mr. President, I make a budget point of order that the amendment violates the pay-go provisions of the budget resolution.

Mr. COVERDELL. Mr. President, I move to waive the point of order and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. ROTH. Mr. President, I ask unanimous consent that the pending motion be laid aside and a vote occur on or in relation to the amendment at a time to be determined by the majority manager after notification of the Democratic manager, with no amendments in order.

Mr. COVERDELL. Mr. President, will the Senator explain to me the consequence of the unanimous consent? In other words, when will the vote on the motion to waive the point of order occur?

Mr. ROTH. We have one further amendment that I am aware of and some close-up business. But then we would have the vote on the motion as the final vote.

Mr. COCHRAN. Mr. President, reserving the right to object.

The PRESIDING OFFICER (Mr. BENNETT). The Senator from Mississippi is recognized.

Mr. COCHRAN. Mr. President, may I ask the manager of the bill whether or not this unanimous consent request would preclude raising another amendment other than the one that the distinguished Senator from Maine is going to raise prior to third reading?

Mr. ROTH. The answer is no.

Mr. COCHRAN. I withdraw my reservation.

Mr. KERREY. Mr. President, may I ask the distinguished Senator from Mississippi is he referencing an amendment that was included in the earlier unanimous consent, or is he talking about adding an amendment that was not included in the unanimous consent.

Mr. COCHRAN. Mr. President, my purpose is to raise an issue that I gave to the managers of the bill earlier. It relates to an amendment that I proposed to offer and was hoping that the managers would be able to accept.

Mr. KERREY. Mr. President, we have a problem here then, because this would require a unanimous consent to add an additional amendment that was not on the earlier unanimous consent request.

The PRESIDING OFFICER. There is a unanimous consent request before the body. The Chair asks if there is objection raised?

Mr. KERREY. Is the unanimous consent request to add an additional amendment?

Mr. ROTH. No.

The PRESIDING OFFICER. The unanimous consent is to set aside the motion to waive for the consideration of another amendment prior to the vote.

Is there objection?

Mr. ROTH. In other words, the purpose is to stack the votes.

Mr. KERREY. I have no objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Delaware.

Mr. ROTH. Mr. President, I think the distinguished Senator from Maine now seeks recognition.

Ms. COLLINS addressed the Chair.

The PRESIDING OFFICER. The Senator from Maine.

AMENDMENT NO. 2381

(Purpose: To amend the Internal Revenue Code of 1986 to modify the reporting requirements in connection with the education tax credit)

Ms. COLLINS. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Maine (Ms. COLLINS), for herself, and Mr. DEWINE, proposes an amendment numbered 2381.

Ms. COLLINS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle H of title III, add the following:

**SEC. . REPORTING REQUIREMENTS IN CONNECTION WITH EDUCATION TAX CREDIT.**

(a) AMOUNTS TO BE REPORTED.—Subparagraph (C) of section 6050S(b)(2) is amended—

(1) in clause (i), by inserting "and any grant amount received by such individual and processed through the institution during such calendar year" after "calendar year",

(2) in clause (ii), by inserting "by the person making such return" after "year", and

(3) in clause (iii), by inserting "and" at the end.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to returns required to be filed with respect to taxable years beginning after December 31, 1998.

Ms. COLLINS. Mr. President, Senator DEWINE and I are offering an amendment to reduce some of the burdensome reporting requirements placed on educational institutions by the Hope Scholarship and Lifetime Learning Tax Credits.

These education tax incentives, which Congress created last year, are of great benefit to students and their families. Unfortunately, our attempt to expand educational opportunities has had the unintended effect of imposing a burdensome and costly reporting requirement on our post-secondary schools.

Beginning with tax year 1998, every college, university, and proprietary school will have to provide the IRS with an array of information that will do little, if anything, to assist in tax collection. Not only will these schools have to report Social Security numbers and the amount of qualified tuition and aid for each student, the schools will also have to report to the IRS on the students' attendance status and program level.

But that is not all, and the reporting requirements do not stop there, Mr.

President. The schools will also be required to report either a taxpayer ID number or Social Security number for the person who will claim the tax credit—generally a parent or a guardian—for all students who do not claim the tax credit themselves.

This administrative nightmare translates into real money.

The American Council on Education has estimated that this reporting requirement will cost our colleges and universities \$115 million in 1998 and \$136 million in 1999.

Mr. President, I ask unanimous consent that a letter from the American Council on Education relating to the results of its cost survey be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AMERICAN COUNCIL ON EDUCATION,  
Washington, DC, April 22, 1998.

Hon. SUSAN M. COLLINS,  
U.S. Senate, Washington, DC.

DEAR SENATOR COLLINS: Thank you for your leadership in addressing the reporting requirements imposed on colleges and universities by the education tax provisions established by the Taxpayer Relief Act of 1997.

The benefits of the Hope and Lifetime Learning tax credits to individual taxpayers and to the nation's human capital will be enormous. However, the costs imposed on colleges and universities to collect and report data to the federal government on the estimated 25 million individuals who are eligible for the credits will be exorbitant.

As you may recall, the higher education community formed a task force comprised of campus officials and staff from nine associations to analyze and document the full extent of the burden these regulations pose. Chaired by James E. Morley Jr., president of the National Association of College and University Business Officers (NACUBO), this task force asked institutions to prepare cost estimates for compliance with the reporting requirements based on a standard template prepared by NACUBO.

Our initial estimates indicate that the aggregate costs to colleges and universities of complying with the Taxpayer Relief Act reporting requirements will be approximately \$115 million for tax year 1998 and \$136 million for tax year 1999. The average cost of compliance increases in tax year 1999 because of an increase in the number of students benefiting from the tax credits.

When broken down on a per student basis, these costs translate into \$3.41 per student record for 1998, and \$2.90 per student record for 1999. These costs account for resources required to obtain student data, file information returns, integrate student data, respond to questions, and for 1999, to obtain, process, and maintain information on individuals certified by students as taxpayers who will claim a tax credit.

The per student average camouflages the tremendous variation in compliance costs among the nation's 6,000 institutions of higher education. The per student cost is estimated to be as low as \$1.40 at one research university and as high as \$21.00 at another institution. These variations are attributable to the number of students enrolled and the sophistication of campus information systems. The California Community College system, for example, which is comprised of 107 colleges and services over 2.4 million students, estimates it will cost \$20 million just to develop a system to comply with the reporting requirements. Ongoing

costs of complying with the requirements are estimated to be \$12.6 million per year.

We will continue to gather information to refine these estimates in the weeks ahead. Nonetheless, the preliminary figures highlight the challenges colleges and universities are confronting as they develop systems to comply with reporting requirements introduced by the Taxpayer Relief Act of 1997.

Thank you again for your leadership and commitment to reducing this burden. We look forward to continuing to work closely with you to address this issue.

Sincerely,

TERRY W. HARTLE,  
Senior Vice President.

Ms. COLLINS. Mr. President, we should not delude ourselves about who will end up paying the cost and price of these requirements. Ultimately, the cost of compliance will be shifted from the schools to the students and their families. As a result, the value of the Hope Scholarship Program and Lifetime Learning Tax Credit will be diminished.

Mr. President, the IRS has complained that eliminating these reporting requirements will be too expensive, essentially arguing that too many people who are not entitled to claim the exemption will do so. I find this logic curious because with the other exemptions and credits in the code, we require the taxpayers to report the necessary information on their tax returns and maintain records of their expenses to support any tax credit or deduction that they claim. It seems to me that the education tax credits should receive the same treatment.

But let's assume that the IRS is correct, Mr. President, and that the education tax credits should be treated differently—if that is the case, why should the burden fall on our nation's colleges and universities?

The fact is that the IRS already collects much of the information needed to verify the validity of the tax credits.

Mr. President, I would like to ask the chairman of the committee and the distinguished ranking minority member to join with Senator DEWINE and me in a request to the Joint Committee on Taxation to study this issue and to look specifically at what the cost would be to the IRS to develop a system to ensure compliance based on information that already requires taxpayers to file. For example, taxpayers are already required to file the name and the Social Security for their dependents. Many experts maintain that the IRS already has much of the information that it needs. It simply needs to modify its software to allow it to conduct matches to verify the information.

Mr. President, it certainly is worth determining whether the cost to the IRS would be less than or more than the \$115 million that it will cost our universities and colleges each year to comply with the paperwork associated with these credits.

Mr. President, the rationale for the Hope and Lifetime Learning credits was to make postsecondary education more affordable, and thus more acces-

sible to lower- and middle-income families. Unfortunately, what Congress has given with one hand it has taken away at least in part with its regulatory hand. It is within our power to fix this problem. We should do so soon.

Tonight, pending the resolution of the larger issue, we can take one small step to alleviate some of the burden imposed upon our colleges and universities. The amendment that Senator DEWINE and I are offering will change the requirement for reporting the tuition and grant aid pertaining to each student in a manner that will make it somewhat easier for our postsecondary institutions to comply. The Joint Committee on Taxation has scored the cost impact of the change as being negligible, but the revision will help our colleges and universities.

I urge adoption of the amendment. I hope to have the cooperation of the chairman and ranking minority member in addressing the larger issue.

Now I would like to yield to my colleague from Ohio and my cosponsor, Senator DEWINE.

Mr. DEWINE addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. DEWINE. Mr. President, I want to take a minute to speak on behalf of an amendment that Senator COLLINS and I have introduced to H.R. 2676, the IRS Reform bill.

Our amendment is common-sense legislation that will repeal certain reporting requirements placed upon colleges and universities under Section 6050 S of the Internal Revenue Code.

Here is the problem: Current law relating to the Hope Scholarship and the Lifetime Learning tax credit requires all colleges and universities to comply with burdensome and costly regulations. The Taxpayer Relief Act of 1997 contained a provision requiring colleges, universities and trade schools to begin issuing annual reports to students and the Internal Revenue Service detailing the students' tuition payments in case they apply for the new education tax credits. Preliminary analysis shows the reporting requirements will cost the 6,000 colleges in America more than \$125 million to implement, and tens of millions of dollars annually to maintain.

In realistic terms, if the new reporting requirement is not lifted off the backs of colleges and universities, those schools will be forced to raise tuition costs to cover the unfunded mandate. In effect, students and families will not benefit from the passage of the Hope Scholarship—because the money received from the tax credit will have to be used to pay the higher tuition.

Mr. President, our amendment is simple, fair legislation that will greatly benefit any persons who want to obtain an education.

In fact, similar legislation has already been introduced in the House of Representatives by Congressman DONALD MANZULLO (R-IL). The House bill is

supported by a bipartisan coalition comprised of 89 Members of the House.

Senator COLLINS and I originally wanted to introduce the entire text of our legislation, S. 1724, as an amendment to the IRS Reform bill. Under current regulations, schools are required to report information to the IRS on 100 percent of their students, even though only a minority of students are expected to be eligible for the tax credit. S. 1724 would repeal this requirement. S. 1724 has been endorsed by the American Association of State Colleges and Universities, the American Association of Community Colleges, the National Association of State Universities and Land Grant Colleges, the American Council on Education, and a bi-partisan group of 19 Senators.

However, because of concerns which have been raised, we have modified our amendment. While this amendment does eliminate a regulatory burden placed on universities, it is only one part of what we want to accomplish. I want to assure everyone that is concerned about the increasing costs of higher education, that we will continue to fight to eliminate unnecessary costs.

Mr. President, I ask my colleagues to support our amendment. It is common-sense, effective legislation. I also want to thank Senator ROTH for his leadership on this issue and I appreciate his work with us on this amendment.

Mr. President, I ask unanimous consent that letters from Cuyahoga Community College, Columbus State, North Central Technical College, Shawnee State University, Bowling Green State University, Belmont Technical College, and the Ohio Association of Community Colleges in support of our legislation be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SHAWNEE STATE UNIVERSITY,  
Portsmouth, OH, January 29, 1998.

Hon. MIKE DEWINE,  
Russell Senate Building, Washington, DC.  
Re Higher Education Reporting Relief Act of 1998.

DEAR SENATOR DEWINE: I am writing to you to solicit your support of the Higher Education Reporting Relief Act of 1998 which Representative Donald A. Manzullo intends to introduce in Congress. This Act will repeal Section 6050S of the Internal Revenue Code, which was added last year as part of the Hope Scholarships and Lifetime Learning tax credits.

While I was very supportive of the Hope Scholarship and Lifetime Learning tax credit, the burden placed on universities to report the data required in Section 6050S IRC to taxpayers and families increases the cost of higher education, dilutes the benefit, and is unnecessary for the implementation of these tax benefits.

Most other tax credits and deductions do not place such a data collection and reporting requirement on the provider of service. This should be made a "self-reporting" requirement subject to substantiation by records of college attendance maintained by the taxpayer. For a smaller university like Shawnee State, this new reporting requirement has a bigger impact on our operations than some of the larger land grant institutions.

I urge your support of Representative Manzullo's legislation to relieve higher education from this burdensome reporting requirement.

Sincerely yours,

CLIVE C. VERI,  
President.

BOWLING GREEN STATE UNIVERSITY,  
Bowling Green, Ohio, February 5, 1998.

Hon. R. MICHAEL DEWINE,  
U.S. Senate, Russell Senate Building, Washington, DC.

DEAR SENATOR DEWINE: I am writing to encourage your support of the "Higher Education Reporting Relief Act" being introduced by Representative Donald A. Manzullo (R-IL). The purpose of this legislation is to repeal the portion of the "Taxpayer Relief Act of 1997" requiring colleges and universities to submit information to the Internal Revenue Service (IRS). If passed, the amendment will make individuals claiming education tax credits responsible for providing requisite information.

As you may recall, the Lifetime Learning and Hope Scholarship tax credits represented an important part of the "Taxpayer Relief Act of 1997." However, as a result of this legislation, there are new reporting requirements for Bowling Green State University (BGSU) and all institutions of higher education in Ohio and across the country.

These requirements place schools in an unfamiliar intermediary position between students, tax filers and the IRS and require the collection of information that schools would not otherwise gather. In addition, the new reporting requirements will cause BGSU to expend thousands of dollars in both start up and on-going costs to comply. This expenditure will place a significant burden on an already limited institutional budget and detract from BGSU's primary purpose—the education of citizens who seek to better themselves and our country.

Passage of the Manzullo amendment would move the tax credit reporting requirements from colleges and universities to those individuals claiming the tax benefits. This system of "self-reporting" requisite information is an approach which is successful for many other tax benefits. The change will facilitate enforcement by the IRS, eliminate the need for an unnecessary new and costly linkage between institutions and the IRS, and better serve families and students.

Once again, I urge your support of the "Higher Education Reporting Relief Act" which will alleviate a potentially significant financial and human resource burden on colleges and universities. Thank you for your interest and attention to this matter.

Sincerely,

SIDNEY A. RIBEAU,  
President.

BELMONT TECHNICAL COLLEGE,  
St. Clairsville, OH, March 18, 1998.

Senator MICHAEL DEWINE,  
Russell Senate Building, Washington, DC.

DEAR SENATOR DEWINE: I recently received notice that you have introduced legislation to relieve the burden of potential costs imposed on colleges and universities by the Hope Scholarship provisions of the Taxpayer Relief Act of 1997. Thank you for your support of this very important issue. The failure to repeal this requirement will cause many colleges and universities, including Belmont Technical College, to cut important services in order to fund this additional mandate.

Thank you again for your efforts to keep higher education affordable for the residents of Appalachian Ohio. If I can provide information to assist with this cause, please contact me.

Sincerely,

JOHN F. CLYMER,  
Interim President.

CLEVELAND STATE UNIVERSITY,  
Cleveland, OH, February 2, 1998.

Hon. MIKE DEWINE,  
Senate Russell Office Building, Washington, DC.

DEAR SENATOR DEWINE: Last July as part of the Taxpayer Relief Act of 1997, Congress passed a tax credit known as the Hope Scholarship, for students in their first and second years of higher education. As it currently stands, Universities will be required under this law to provide new and additional information on students to the U.S. Treasury Department, placing us in the awkward position of middleman between our students and the IRS.

In addition to the bad will such a requirement would create between the University and our students, the law is a expensive unfunded mandate on higher education. As you know, unfunded mandates drive up tuition and take our attention from our primary goal of educating our students.

We ask that you support the Higher Education Reporting Relief Act of 1998, sponsored by Representative Manzullo of Illinois, which would repeal section 6050S of the Internal Revenue Code. Section 6050S is the section that would place us in the position of data provider to the IRS. The Higher Education Reporting Relief Act of 1998 will make tax returns, the normal case for other tax benefits.

We will greatly appreciate your support of this effort and hope you will keep us informed of the progress of the legislation in Congress. Thank you.

Sincerely,

THOMAS A. LYNCH,  
Special Assistant to the President  
for Governmental Relations.

OHIO ASSOCIATION OF  
COMMUNITY COLLEGES,  
Columbus, OH, March 11, 1998.

Hon. R. MICHAEL DEWINE,  
U.S. Senate, Washington, DC.

DEAR SENATOR DEWINE: Thank you very much for introducing a bill to repeal the institutional reporting requirements for the Hope Scholarship and Lifelong Learning Tax Credits. As you know, the Higher Education Reporting Relief Act (HERRA) would repeal the requirements, included in the Taxpayer Relief Act Congress passed last year, that higher education institutions collect and report information on all eligible students to the Internal Revenue Service. The bill would allow taxpayers to claim the education tax credit on their income tax forms, similar to the way other tax deductions are now reported. If the IRS questions a taxpayer's return, then the IRS could audit the taxpayer, as it does now, and require the taxpayer to produce the relevant documentation (receipts or canceled tuition payment checks).

Putting the onus on the taxpayer, rather than the institution, to report on the tax credit would save colleges millions of dollars, simplify the process for students seeking to claim the credit, and enable colleges to expend more funds on programs rather than administrative costs.

Your support of the Higher Education Reporting Relief Act is greatly appreciated.

Sincerely,

TERRY M. THOMAS,  
Executive Director.

CUYAHOGA COMMUNITY COLLEGE,  
Cleveland, OH, March 5, 1998.

Hon. MICHAEL DEWINE,  
Russell Senate Office Building,  
Washington, DC.

DEAR SENATOR DEWINE: Thank you for the opportunity for two of the College's trustees,



Trustee Chairperson Nadine Feighan and Trustee Stanley Miller, along with the College's Executive Vice President, Dr. Frank Reis, to meet with Mr. John Connelly of your legislative staff on February 24, 1998 to provide you with some insight into community college priorities within the second session of the 105th Congress. As you know, community colleges provide access to a broad spectrum of quality educational opportunities and life experiences. Consistent with this role, any proposed legislative language that promotes the concept of open access, which is the cornerstone of the community college mission, would be well received by Cuyahoga Community College and, for that matter, all community colleges throughout the nation.

Specifically, the priorities that were highlighted during our recent discussion included the following:

**Pell Grants**—The Pell Grant is the foundation of federal student financial aid programs, and is instrumental in providing access to colleges for needy students. At Cuyahoga Community College, nearly one-half of all aid (\$9.5 million) provides access for more than 6,000 of our students. We believe that Pell Grants currently work well for community college students.

Currently, the Administration is proposing to limit Pell Grant eligibility to 150 percent of the length of a student's program. We view this as a flexible access issue particularly in light of many of our students being part-time requiring developmental and remedial preparation before engaging in degree level studies, and as such, we oppose the proposal to limit eligibility during consideration of the reauthorization of the Higher Education Act.

Cuyahoga Community College requests a Pell Grant maximum of greater than \$3,100, the amount requested by the Administration. In response to the question raised by Mr. Connelly regarding how much more the Pell Grant should be raised we indicated that our preference would be to see a \$3,200 maximum grant level be implemented.

**Vocational Education/Tech Prep**—Community colleges are requesting \$120 million (a \$17 million increase over FY98) for the Tech Prep program, which provides for collaboration between secondary and postsecondary institutions with low-income students in their vocational education programs. Currently, CCC is participating in the North Coast Tech Prep Consortium along with area joint vocational schools. Our Consortium success has earned it State performance-based funding of \$915,011 for FY99 when it will serve over 940 students. That number is projected to double the number of students served within the next few years. Not only do we support the proposed increase but also would like to see the Tech Prep monies kept separate from other grant monies.

**Tax Issues Regarding HOPE and Lifelong Learning Tax Credits**—In general, community colleges are pleased with the Taxpayer Relief Act that contains a number of tax provisions that greatly expand student access to the nation's community colleges. Although Cuyahoga Community College, along with most of the nation's community colleges, support the HOPE and Lifelong Learning tax credits, there are concerns regarding the reporting requirements necessitated by the statute. Therefore we support H.R. 3127 that was introduced by Representative Dan Manzullo (R-IL) to repeal the reporting requirements associated with the credits while maintaining the financial support those tax credits would provide to students.

**Senate Provision to extend eligibility for Perkins funds to proprietary schools**—Currently, Perkins funds are restricted to non-profit educational institutions. H.R. 1983

maintains this restriction. However, S. 1186 would extend eligibility for Perkins funds to proprietary institutions. Nowhere in federal workforce education or higher education policy do for-profit institutions directly receive federal funds. In addition, expanding the universe of eligible institutions for limited federal vocation education dollars will drain funding for long-standing community college vocational education programs. Currently, Cuyahoga Community College uses its \$180,000 in Perkins funds to serve approximately 175 disabled vocational students. Therefore the College, as well as the community colleges across the country, oppose the provision to extend eligibility for Perkins funds to for-profit proprietary institutions.

The four summary positions in this letter represent the priority areas to Cuyahoga Community College. If you should have any questions regarding any of these positions or for that matter, the listing of College federal grants requested provided to your office during our visit, please call either myself or Dr. Frank Reis, Executive Vice-President, Human Resources and Administration (216-987-4776). Again, thank you for your advocacy efforts in the U.S. Senate on behalf of Cuyahoga Community College as well as the 1,100 community colleges across the nation.

Sincerely,

JERRY SUE THORNTON,  
President.

COLUMBUS STATE COMMUNITY COLLEGE,  
Columbus, OH, March 6, 1998.

Hon. R. MICHAEL DEWINE,  
Russell Senate Office Building,  
Washington, DC.

DEAR SENATOR DEWINE: I want to thank you for taking time from your busy schedule to meet with Pieter Wykoff and me to discuss issues regarding the Reauthorization of the Higher Education Act and the 1999 budget appropriations and tax issue.

As we mentioned to you, the Pell grants are working well for our students. However, the new reporting of the Hope Scholarship tax credit is burdensome, and we do incur costs to comply with all the reporting requirements. We urge you to simplify this system as much as possible as it is being proposed by Rep. Manzullo from Illinois.

Please let me know if there is any information we can provide you or anything else that Columbus State can do to facilitate your work. We enjoyed our visit with you and look forward to seeing you again.

Sincerely,

M. VALERIANA MOELLER,  
President.

NORTH CENTRAL TECHNICAL COLLEGE,  
Mansfield, OH, January 30, 1998.

Senator MIKE DEWINE,  
Russell Senate Building, Washington, DC.

DEAR SENATOR DEWINE: As you are aware, with the enactment of the Hope Scholarship and Lifetime Learning tax credits, institutions of higher education will be required to provide extensive and detailed data to the Internal Revenue Service on all currently enrolled students. While North Central Technical College is a supporter of these educational tax credits, the proposed reporting requirements will place an overwhelming burden on its resources in order to maintain compliance with the regulations.

Currently, NCTC, like all colleges and universities, is faced with a myriad of mandated federal and state reporting requirements. The addition of the Hope Scholarship and Lifetime Learning tax credit program will only further stretch already over-extended student and financial information reporting systems. It would be terribly unfortunate if colleges and universities were forced to redirect resources, now aimed at providing direct services to students, in order to comply with these new regulations.

Given the seriousness of this situation, I am asking that you support the legislation "Higher Education Reporting Relief Act" to be introduced next week by Representative Donald A. Manzullo. This legislation will repeal Section 6050S of the Internal Revenue Code, thus alleviating institutions from the responsibility of being a data provider for individual students to the IRS.

Please be assured that, whatever the outcome of this legislation, North Central Technical College will continue to meet all the reporting requirements that are mandated, while providing the best possible educational experiences that its resources allow. However, since education is our purpose and mission, I hope that the College will be able to direct its resources to those that deserve them the most, our students.

Your consideration and support in this matter will be greatly appreciated by the entire College community.

Sincerely,

DR. RONALD E. ABRAMS,  
President.

Mr. DEWINE. Mr. President, let me briefly state that the amendment offered by myself and Senator COLLINS fixes parts of the problem. It does not fix all of the problem. If we do not deal with the entire problem, this is something that every Member of the Senate is going to hear about. It is going to come back and you are going to hear about it from every college and university in your State. We need to fix the overall problem.

I appreciate Chairman ROTH's willingness to work with us on this.

I urge adoption of this amendment.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, if there are no further speakers on this, I would say that this amendment is acceptable to both sides, and I urge its adoption.

The PRESIDING OFFICER. Is there further debate on the amendment? If not, the question is on agreeing to the amendment.

The amendment (No. 2381) was agreed to.

Ms. COLLINS. Mr. President, I move to reconsider the vote.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 2382

(Purpose: To provide a managers' amendment)

Mr. ROTH. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes an amendment numbered 2382.

Mr. ROTH. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 202, between lines 5 and 6, insert the following:

"(iv) COORDINATION WITH REPORT OF TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION.—To the extent that information required to be reported under clause (ii) is also



required to be reported under paragraph (1) or (2) of subsection (d) by the Treasury Inspector General for Tax Administration, the National Taxpayer Advocate shall not contain such information in the report submitted under such clause.

On page 204, line 1, strike "directly".

On page 206, line 23, strike "(2)" and insert "(3)(A)".

On page 207, line 9, insert "by the Internal Revenue Service or the Inspector General" before "during".

On page 207, line 20, strike "(B)" and insert "(A)".

On page 207, lines 24 and 25, strike "not less than 1 percent" and insert "a statistically valid sample".

On page 252, line 25, insert "or taxpayer representative" after "taxpayer".

On page 253, line 1, insert ", taxpayer representative," after "taxpayer".

On page 253, line 5, insert "or taxpayer representative" after "taxpayer".

On page 253, line 6, insert ", taxpayer representative" after "taxpayer".

On page 253, line 12, insert ", taxpayer representative" after "taxpayer".

On page 254, lines 14 and 15, strike "and their immediate supervisors".

On page 254, lines 17 and 18, strike "individuals described in paragraph (1)" and insert "such employees".

On page 322, line 11, strike "subsection" and insert "section".

Mr. ROTH. Mr. President, this amendment consists of a number of technical changes and has been cleared with the minority. I urge its adoption.

The PRESIDING OFFICER. Is there further debate? If not, the question is on agreeing to the amendment.

The amendment (No. 2382) was agreed to.

AMENDMENTS NOS. 2383, 2384, AND 2385, EN BLOC

Mr. ROTH. Mr. President, I send three amendments to the desk, one by Senator GRAHAM of Florida, one by Senator STEVENS of Alaska, and one by Senator BINGAMAN. I ask unanimous consent that they be considered en bloc.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The clerk will report the amendments.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes amendments numbered 2383 through 2385, en bloc.

Mr. ROTH. Mr. President, I ask unanimous consent that reading of the amendments be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments are as follows:

AMENDMENT NO. 2383

(Purpose: To apply the interest netting provision to all Federal taxes and to open taxable periods occurring before the date of the enactment of this Act, and for other purposes)

Beginning on page 307, line 6, strike all through page 308, line 3, and insert:

**SEC. 3301. ELIMINATION OF INTEREST RATE DIFFERENTIAL ON OVERLAPPING PERIODS OF INTEREST ON TAX OVERPAYMENTS AND UNDERPAYMENTS.**

(a) IN GENERAL.—Section 6621 (relating to determination of rate of interest) is amended by adding at the end the following new subsection:

"(d) ELIMINATION OF INTEREST ON OVERLAPPING PERIODS OF TAX OVERPAYMENTS AND UNDERPAYMENTS.—To the extent that, for any period, interest is payable under subchapter A and allowable under subchapter B on equivalent underpayments and overpayments by the same taxpayer of tax imposed by this title, the net rate of interest under this section on such amounts shall be zero for such period."

(b) CONFORMING AMENDMENT.—Subsection (f) of section 6601 (relating to satisfaction by credits) is amended by adding at the end the following new sentence: "The preceding sentence shall not apply to the extent that section 6621(d) applies."

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided under paragraph (2), the amendments made by this section shall apply to interest for periods beginning after the date of the enactment of this Act.

(2) SPECIAL RULE.—Subject to any applicable statute of limitation not having expired with regard to either a tax underpayment or a tax overpayment, the amendments made by this section shall apply to interest for periods beginning before the date of the enactment of this Act if the taxpayer—

(A) reasonably identifies and establishes periods of such tax overpayments and underpayments for which the zero rate applies, and

(B) not later than December 31, 1999, requests the Secretary of the Treasury to apply section 6621(d) of the Internal Revenue Code of 1986, as added by subsection (a), to such periods.

**SEC. 3301A. PROPERTY SUBJECT TO A LIABILITY TREATED IN SAME MANNER AS ASSUMPTION OF LIABILITY.**

(a) REPEAL OF PROPERTY SUBJECT TO A LIABILITY TEST.—

(1) SECTION 357.—Section 357(a) (relating to assumption of liability) is amended by striking ", or acquires from the taxpayer property subject to a liability" in paragraph (2).

(2) SECTION 358.—Section 358(d)(1) (relating to assumption of liability) is amended by striking "or acquired from the taxpayer property subject to a liability".

(3) SECTION 368.—

(A) Section 368(a)(1)(C) is amended by striking ", or the fact that property acquired is subject to a liability."

(B) The last sentence of section 368(a)(2)(B) is amended by striking ", and the amount of any liability to which any property acquired from the acquiring corporation is subject,".

(b) CLARIFICATION OF ASSUMPTION OF LIABILITY.—Section 357(c) is amended by adding at the end the following new paragraph:

"(4) DETERMINATION OF AMOUNT OF LIABILITY ASSUMED.—For purposes of this section, section 358(d), section 368(a)(1)(C), and section 368(a)(2)(B)—

"(A) a liability shall be treated as having been assumed to the extent, as determined on the basis of facts and circumstances, the transferor is relieved of such liability or any portion thereof (including through an indemnity agreement or other similar arrangement), and

"(B) in the case of the transfer of any property subject to a nonrecourse liability, unless the facts and circumstances indicate otherwise, the transferee shall be treated as assuming with respect to such property a ratable portion of such liability determined on the basis of the relative fair market values (determined without regard to section 7701(g)) of all assets subject to such liability."

(c) APPLICATION TO PROVISIONS OTHER THAN SUBCHAPTER C.—

(1) SECTION 584.—Section 584(h)(3) is amended—

(A) by striking ", and the fact that any property transferred by the common trust

fund is subject to a liability," in subparagraph (A),

(B) by striking clause (ii) of subparagraph (B) and inserting:

"(ii) ASSUMED LIABILITIES.—For purposes of clause (i), the term 'assumed liabilities' means any liability of the common trust fund assumed by any regulated investment company in connection with the transfer referred to in paragraph (1)(A).

"(C) ASSUMPTION.—For purposes of this paragraph, in determining the amount of any liability assumed, the rules of section 357(c)(4) shall apply."

(2) SECTION 1031.—The last sentence of section 1031(d) is amended—

(A) by striking "assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability" and inserting "assumed (as determined under section 357(c)(4)) a liability of the taxpayer", and

(B) by striking "or acquisition (in the amount of the liability)".

(d) CONFORMING AMENDMENTS.—

(1) Section 351(h)(1) is amended by striking ", or acquires property subject to a liability,".

(2) Section 357 is amended by striking "or acquisition" each place it appears in subsection (a) or (b).

(3) Section 357(b)(1) is amended by striking "or acquired".

(4) Section 357(c)(1) is amended by striking ", plus the amount of the liabilities to which the property is subject,".

(5) Section 357(c)(3) is amended by striking "or to which the property transferred is subject,".

(6) Section 358(d)(1) is amended by striking "or acquisition (in the amount of the liability)".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after the date of the enactment of this Act.

AMENDMENT NO. 2384

On page 355, insert after line 19 the following:

(d) STATE FISH AND WILDLIFE PERMITS.—(1) With respect to permits issued by a State and required under State law for the harvest of fish or wildlife in the trade or business of an individual taxpayer, "other assets" as used in section 3445 shall include future income that may be derived by such taxpayer from the commercial sale of fish or wildlife under such permit.

(2) The preceding paragraph may not be construed to invalidate or in any way prejudice any assertion that the privilege embodied in such permits is not property or a right to property under the Internal Revenue Code.

Mr. STEVENS. Mr. President, I have a reasonable amendment to this bill relating to a very unique "tool of the trade" in the fishing industry of Alaska. The bill already would increase the cap for the value of tools of the trade exempted from IRS levy to \$5,000, up from \$1,250.

My amendment addresses a class of tools—State-issued permits that give their holder the privilege to commercially harvest fish or game in our State.

The State of Alaska has never conceded that these permits are property that may be seized by IRS. Yet, the IRS seizes them, without giving any consideration to the unique circumstances in Alaska, particularly western Alaska.

In those villages, commercial fishing is the only industry. If you don't have a fishing job, you do not have a job.

When a fisherman in that area fails to pay taxes on time, the IRS never gives any consideration to the fact that without the fishing permit, the taxpayer would have no way to pay back taxes.

In addition, he or she will then have no way to support their children, their family, pay child support, or buy heating oil for their house, or face other problems.

We do have a problem in western Alaska—the IRS estimates that commercial fishermen owe over \$20 million in back taxes. That is not much, nationally. But as one IRS agent visiting rural Alaska pointed out, they have in some cases been trying to collect taxes from people who did not even know the IRS existed.

There are positive changes, in the bill with respect to IRS collection procedures, but the language and cultural barriers, and isolation of vast areas of Alaska still lead to results that people in the rest of the country find hard to believe.

Instead of exempting State permits entirely from IRS levies, I have accepted a compromise. Under section 3445 of the bill, the IRS will be required, before seizing the assets of a small business, to first determine that the business owner's "other assets" are not sufficient to pay the back taxes and expenses of IRS proceedings.

My compromise would require the IRS to consider future income from State-issued fish and game permits as "other income" in its determination before making a levy on such permits. This means the IRS must consider whether the future income from the permit would allow the fishermen to pay the tax debt and procedural expenses before the maximum time possible for repayment under law has occurred.

In treating these permits as an asset used in a trade or business, Congress does not intend to determine whether such permits are property or a right to property. We only mean to say that as long as the IRS asserts that the permits are property or a right to property, the holder should have the added protection of having future income considered.

#### AMENDMENT NO. 2385

(Purpose: Relating to the report on tax complexity and low-income taxpayer clinics)

On page 375, line 11, strike the period and insert ", including volunteer income tax assistance programs, and to provide funds for training and technical assistance to support such clinics and programs."

On page 375, line 22, strike "or".

On page 376, line 2, strike the period and insert "or".

On page 376, between lines 2 and 3, insert: "(III) provides tax preparation assistance and tax counseling assistance to low income taxpayers, such as volunteer income tax assistance programs."

On page 376, line 20, strike "and".

On page 376, line 25, strike the period and insert "and".

On page 376, after line 25, insert:

"(C) a volunteer income tax assistance program which is described in section 501(c) and

exempt from tax under section 501(a) and which provides tax preparation assistance and tax counseling assistance to low income taxpayers."

On page 377, line 9, strike "\$3,000,000" and insert "\$6,000,000".

On page 377, line 11, after the end period, insert "Not more than 7.5 percent of the amount available shall be allocated to training and technical assistance programs."

On page 377, line 15, insert ", except that larger grants may be made for training and technical assistance programs" after "\$100,000".

On page 378, line 16, insert "(other than a clinic described in paragraph (2)(C))" after "clinic".

On page 396, strike lines 18 through 20, and insert "Finance of the Senate. The report shall include any recommendations—

(A) for reducing the complexity of the administration of Federal tax laws, and

(B) for repeal or modification of any provision the Commissioner believes adds undue and unnecessary complexity to the administrator of the Federal tax laws.

Mr. ROTH. Mr. President, these amendments have been cleared on both sides of the aisle. I urge their adoption.

The PRESIDING OFFICER. The question is on agreeing to the amendments.

The amendments (Nos. 2383, 2384, and 2385) were agreed to en bloc.

Mr. MCCAIN. Mr. President, I move to reconsider the vote.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. There are no further amendments.

Mr. President, there are no further amendments.

#### AMENDMENT NO. 2353—MOTION TO WAIVE THE BUDGET ACT

The PRESIDING OFFICER. Under the previous order, the question is on agreeing to the motion to waive the Budget Act made by the Senator from Georgia. The yeas and nays have been ordered. The clerk will call the roll.

Mr. ROTH. Mr. President, I ask unanimous consent that we shorten the vote to 10 minutes on the second amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from South Carolina (Mr. THURMOND) is necessarily absent.

I further announce that, if present and voting, the Senator from South Carolina (Mr. THURMOND) would vote yea.

Mr. FORD. I announce that the Senator from Ohio (Mr. GLENN), is necessarily absent. I announce that the Senator from Hawaii (Mr. AKAKA) is absent because of a death in the family.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The yeas and nays resulted—yeas 37, nays 60, as follows:

[Rollcall Vote No. 125 Leg.]

#### YEAS—37

Abraham	Enzi	Lott
Ashcroft	Faircloth	Lugar
Bennett	Frist	Mack
Bond	Grams	McCain
Brownback	Gregg	McConnell
Burns	Hagel	Santorum
Campbell	Hatch	Smith (NH)
Coats	Helms	Smith (OR)
Cochran	Hutchinson	Thomas
Coverdell	Hutchison	Thompson
Craig	Inhofe	Warner
D'Amato	Kempthorne	
DeWine	Kyl	

#### NAYS—60

Allard	Ford	Moseley-Braun
Baucus	Gorton	Moynihan
Biden	Graham	Murkowski
Bingaman	Gramm	Murray
Boxer	Grassley	Nickles
Breaux	Harkin	Reed
Bryan	Hollings	Reid
Bumpers	Inouye	Robb
Byrd	Jeffords	Roberts
Chafee	Johnson	Rockefeller
Cleland	Kennedy	Roth
Collins	Kerrey	Sarbanes
Conrad	Kerry	Sessions
Daschle	Kohl	Shelby
Dodd	Landrieu	Snowe
Domenici	Lautenberg	Specter
Dorgan	Leahy	Stevens
Durbin	Levin	Torricelli
Feingold	Lieberman	Wellstone
Feinstein	Mikulski	Wyden

#### NOT VOTING—3

Akaka	Glenn	Thurmond
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The PRESIDING OFFICER. On this vote, the yeas are 37, the nays are 60. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected. The point of order is sustained, and the amendment falls.

The amendment of the Senator from Georgia would result in a loss of \$9 billion—

Mr. BYRD. Mr. President, we cannot hear what is being said. The Senate is not in order.

The PRESIDING OFFICER. The Senate will be in order.

The amendment of the Senator from Georgia would result in a loss of \$9 billion in revenues during the fiscal years covered by the Concurrent Resolution on the Budget without any offset. Therefore, it violates the pay-as-you-go provisions contained in section 202 of H. Con. Res. 67 of the 104th Congress. (Subsequently the following occurred.)

#### CHANGE OF VOTE

Mr. GRAMS. Mr. President, on rollcall vote 125, I was recorded as voting "no." I voted "aye." I ask unanimous consent the official RECORD be directed to accurately reflect my vote. This will in no way change the outcome of the vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The foregoing tally has been changed to reflect the above order.)

The PRESIDING OFFICER. If there be no further amendments to be proposed, the question is on agreeing to the committee amendment in the nature of a substitute, as amended.

The committee amendment, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the

committee amendment, as amended, and third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill was read a third time.

Mr. GRAMM. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall the bill, as amended, pass? The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from South Carolina (Mr. THURMOND), is necessarily absent.

I further announce that, if present and voting, the Senator from South Carolina (Mr. THURMOND), would vote yea.

Mr. FORD. I announce that the Senator from Ohio (Mr. GLENN), is necessarily absent.

I also announce that the Senator from Hawaii (Mr. AKAKA), is absent because of a death in family.

The result was announced—yeas 97, nays 0, as follows:

[Rollcall Vote No. 126 Leg.]

#### YEAS—97

Abraham	Feingold	Lugar
Allard	Feinstein	Mack
Ashcroft	Ford	McCain
Baucus	Frist	McConnell
Bennett	Gorton	Mikulski
Biden	Graham	Moseley-Braun
Bingaman	Gramm	Moynihan
Bond	Grams	Murkowski
Boxer	Grassley	Murray
Breaux	Gregg	Nickles
Brownback	Hagel	Reed
Bryan	Harkin	Reid
Bumpers	Hatch	Robb
Burns	Helms	Roberts
Byrd	Hollings	Rockefeller
Campbell	Hutchinson	Roth
Chafee	Hutchison	Santorum
Cleland	Inhofe	Sarbanes
Coats	Inouye	Sessions
Cochran	Jeffords	Shelby
Collins	Johnson	Smith (NH)
Conrad	Kempthorne	Smith (OR)
Coverdell	Kennedy	Snowe
Craig	Kerrey	Specter
D'Amato	Kerry	Stevens
Daschle	Kohl	Thomas
DeWine	Kyl	Thompson
Dodd	Landrieu	Torricelli
Domenici	Lautenberg	Warner
Dorgan	Leahy	Wellstone
Durbin	Levin	Wyden
Enzi	Lieberman	
Faircloth	Lott	

#### NOT VOTING—3

Akaka	Glenn	Thurmond
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The bill (H.R. 2676), as amended, was passed, as follows:

The text of H.R. 2676, as amended, will be printed in a future edition of the RECORD.

Mr. ROTH. Mr. President, I move to reconsider the vote.

Mr. KERREY. I move to lay it on the table.

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, as we bring these deliberations on IRS restructur-

ing to a close, I want to express my appreciation to everyone who has strongly supported this necessary legislation. I am particularly proud of the fact that it was unanimously supported on the floor of the Senate this evening. I again want to reiterate my belief that the Internal Revenue Service—with its 102,000 employees—is filled with hard-working, service-oriented, honorable men and women.

The problem, Mr. President, is that the agency, itself, has too much power and not enough sunshine.

It is marked by an environment where even a few overly aggressive, vindictive, arrogant, or power-hungry individuals can get away with trampling the rights of honest Americans. It is an environment where honesty can be met by retaliation, where employees are frightened to come forward to report and correct abuses, and where the taxpayer is often perceived as the enemy and not the customer.

The legislation we have passed today will go a long way towards correcting these problems. Will it do everything we would like it to do? No. There needs to be a cultural shift inside the agency itself.

This legislation will provide a catalyst for that shift. Is this bill a good start toward long-term reform? Absolutely.

This legislation will allow Commissioner Rossotti to implement the necessary reforms and restructuring that need to be done to bring the agency into the 21st century. It is a strong bill, building on what the House passed last November. It is what the American people need to strengthen fundamental protections. However, Congress must not see this as the be-all-and-end-all of offering taxpayers the protection and service they need when it comes to the IRS.

We need to continue our oversight efforts. We need to make sure that the provisions we have included in our legislation are taken seriously by the agency and embraced in the manner in which they are intended.

Mr. President, this thorough and comprehensive piece of legislation is the product of a collective effort. It represents the best work and thinking from both sides of the aisle.

I express my sincere appreciation to my colleagues, particularly Senator MOYNIHAN, as well as Senators CHARLES GRASSLEY and BOB KERREY, both of whom worked on the National Restructuring Commission with Congressman ROB PORTMAN. I'm grateful to Chairman ARCHER and those on the Ways and Means Committee who provided a solid foundation upon which we built this legislation, and to my colleagues on the Finance Committee who diligently sat through our extensive oversight and restructuring hearings and voted this legislation out of committee unanimously.

I am also grateful to those who have spoken so eloquently as proponents of this legislation here on the floor.

I also appreciate the hard work our staffs have put in. I'm grateful to our investigators—Eric Thorson, Debbie McMahon, Kathryn Quinn, Anita Horn, and Maureen Barry. I'm grateful to Frank Polk, Joan Woodward, and Mark Patterson, to Tom Roeser, Mark Prater, Sam Olchik, Brig Pari, Bill Sweetnam, Jeff Kupfer, Nick Giordano, and Ann Urban. I also want to thank Jane Butterfield, Mark Blair, and Darcell Savage.

I believe the future will remember the work we have done here. The history of the Internal Revenue Service is marked by aggressive tax collecting tactics and consequent Congressional efforts to reform the agency. Those reforms, however, often did not go far enough, and they were not accompanied by a dedication to sincere oversight. These reforms, Mr. President, do go far.

They are the most extensive reforms ever made to balance power and responsibility inside what can only be characterized as one of America's most powerful agencies. And, as we have heard over the past few days here on the floor, this Congress is dedicated to continued oversight.

In closing, I am pleased to work with Senator KERREY, the floor manager for the Democrats. I think it has been a great collective effort.

Mr. KERREY. "The barriers are crumbling; the system is working."

Mr. President, those are the words of David Broder. He wrote them in a Washington Post op-ed on October 21, 1997 as he commented on the progress being made on IRS reform.

Mr. Broder was commenting at the time that in an increasingly partisan climate on Capitol Hill, the work of Representatives PORTMAN, CARDIN, Senator GRASSLEY, and I and how this legislation is moving along was a classic example of how our democratic system can work and that by "beating the odds" we were on the verge of giving the Internal Revenue Service "the shake-up it clearly needs."

Mr. President, good news comes to the American taxpayers today. The Senate is about to pass historic IRS reform legislation that will touch the lives of hundreds of millions of Americans.

This is a long, detailed bill, Mr. President, but I can summarize its intent in a simple well known phrase: of, by and for the people. That is the kind of government we have—of, by and for the people. The premise of our effort from the beginning was that the IRS works for the taxpayer, not the other way around. The impact, I hope, will be equally simple. When you call the IRS, you should get a helpful voice, not a busy signal. That helpful voice should have the resources to help you answer the simple question: "How much do I owe?" If one of the rare bad apples in the IRS abuses a taxpayer, the Commissioner should be able to fire him. The vast majority of IRS employees who are capable and committed public

servants should be empowered to do their jobs—helping the equally vast majority of American taxpayers who want to comply with the law to do so.

This bipartisan, bicameral effort dates back to 1995, when Senator SHELBY and I, in our roles on the Appropriations Committee, wrote language into the law creating the National Commission on Restructuring the IRS.

It continued with Representative ROB PORTMAN and Senator GRASSLEY and I with our work on the commission after we issued our report in June 1997, and moved forward again when we introduced legislation in the House, with Representative BEN CARDIN, and in the Senate by July 1997.

It progressed to Chairman ROTH and Senator MOYNIHAN when the Finance Committee began our hearings in September 1997, as well as with House Ways and Means Chairman ARCHER in the House. And along the way we received the critical support of Speaker GINGRICH, Secretary Rubin, the President and Commissioner Rossotti.

I am proud to have been a part of this effort. We are a nation of laws, Mr. President. As legislators we are given the charge by the American people to write effective laws, as well as change those that are not. While this debate has sometimes been contentious, in the end the finished product—the law that we will have written—will be an effective one because in the end Congress's efforts have been about doing what is right and what is best.

In the beginning, many members of Congress and our commission were shocked to hear that before these efforts, there had been no real reform to the IRS in 50 years and no oversight hearings by the Senate Finance Committee ever.

That was Congress's fault.

During our deliberations in the Senate this week, we have been mindful of the fact that Congress has had a critical role in allowing the IRS to become the mess we now have decided to clean up.

We have acknowledged that the IRS is not Sears & Roebuck—and that we are its Board of Directors. We write the tax laws, we are responsible for the oversight and we are the ones who can make the necessary changes.

I am not an IRS apologist. I would not have embarked on this mission nearly four years ago if I thought all was well with the agency. And while I always knew the IRS was acting in a damaging fashion toward American taxpayers and in need of reform, my learning over the years solidified the notion that the need for reform was dire.

As we move toward enacting this legislation into law, we should be proud of the fact that we are changing the culture at the IRS so that the agency will serve taxpayers and not treat them as if it is the other way around, that we are giving Commissioner Rossotti the statutory authority he needs to do his job effectively, that we are creating

legislation that will make it easier for all Americans to file their taxes and get information, that we are going to make sure the IRS has the ability to do the job Congress has told them to, and that we are changing the way tax laws are written so that never again will a provision pass without a cost analysis of compliance and administration.

Mr. President, more Americans pay taxes than vote. The perception of how our government treats us—its citizens—is rooted more in our contact with the IRS than with any other U.S. agency or entity.

How we are treated by the IRS—and our tax laws—effects our perception of whether or not we believe we have a fair shot at the American Dream and whether or not we are a government of, by and for the people.

We have taken great strides today to change that perception.

I thank my colleagues for their efforts on this important and historic piece of legislation and I am very hopeful we will have a swift and effective conference with the House so that the President can sign this bill into law before June 1.

Mr. President, I add my thanks to the Democratic staff and the Republican staff, all of whom were listed by the distinguished chairman of the Finance Committee, Senator ROTH. It has been a pleasure working with Senator ROTH. I want to also thank Congressman ROB PORTMAN. I especially thank the ranking Democrat on the Finance Committee, Senator MOYNIHAN, for giving me the opportunity to manage this bill.

STAFF OF THE NATIONAL COMMISSION ON RESTRUCTURING THE INTERNAL REVENUE SERVICE

Mr. President, I would like to take a moment to thank the staff of the National Commission on Restructuring the Internal Revenue Service for their devotion to the cause of reforming the IRS. We would not have the strong reform legislation before us today without the hard work and patience of these individuals. They staffed 12 public hearings, 3 town-hall meetings, hundreds of hours of closed-door sessions with Restructuring commissioners, and interviewed many hundreds of present and former IRS officials, practitioner groups, and average taxpayers. They drafted and redrafted many times the Commission report, "A Vision for a New IRS."

But, most importantly, they worked with the many staff members and Members of Congress to help facilitate the bipartisan bill that we are about to vote on today. The U.S. Senate owes them a debt of gratitude for their year long effort. They are: Jeffery Trinca, Chief of Staff; Anita Horn, Deputy Chief of Staff; Douglas Shulman, Senior Policy Advisor and Chief of Staff from June to September of 1997; Charles Lacijan, Senior Policy Advisor; Dean Zerbe, Senior Policy Advisor; Armando Gomez, Chief Counsel; George Guttman, Counsel; Lisa McHenry, Di-

rector of Communications and Research; James Dennis, Counsel; John Jungers, Research Assistant; Andrew Siracuse, Research Assistant; Damien McAndrews, Research Assistant; Margie Knowles, Office Manager; and Janice Haman, Secretary.

Mr. SPECTER addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized.

#### MORNING BUSINESS

Mr. SPECTER. Mr. President, on behalf of the majority leader I ask unanimous consent that there now be a period for the transaction of routine morning business until 7:30 p.m., with Senators permitted to speak therein for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SPECTER. Mr. President, I would like to start that morning business, but I will first yield to Senator WARNER, without losing my right to the floor.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

(The remarks of Mr. WARNER pertaining to the introduction of S. 2051 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. LAUTENBERG. Mr. President, parliamentary inquiry. The Senator from Pennsylvania has the floor and didn't relinquish it. But I understood in the earlier request the Senator from Pennsylvania made that people would be permitted to speak for 10 minutes in morning business. The yielding of time to other Senators, I would assume, has to come off of that 10 minutes, if we are to follow the unanimous consent agreement as laid out.

The PRESIDING OFFICER (Mr. SESSIONS). I believe the Senator from Pennsylvania, by unanimous consent, requested that the other Senators be recognized and there having been no objection at the time, it is not to be counted against his time.

The Senator from Pennsylvania is recognized.

#### THE FLAT TAX

Mr. SPECTER. Mr. President, if I might comment to my colleague from New Jersey, I don't intend to be very long. Perhaps it will all be incorporated.

If I may have the attention of our distinguished majority leader for a moment, I compliment the managers of the bill that just passed, and the few brief remarks I would like to make on the tax issue relate to a bill that I have introduced on the flat tax.

At the request of the distinguished majority leader, I did not press it a few weeks ago on the Coverdell bill, nor did I press it on the legislation that has just been enacted. But I have a very strong view, having pressed for this legislation since March of 1995, the so-called postage card flat tax, devised by two very distinguished professors from Stanford, Hall and Rabushka, that